Review of ILGRP recommendations relating to a proposed merger of the whole of Hunters Hill, Lane Cove, Mosman, North Sydney, Willoughby and two thirds of Ryde Council

FINAL REPORT

May 2015

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Document Status

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1. INTRODUCTION

1.1 Fit for the Future

In 2011 local councils from throughout NSW gathered for a summit, Destination 2036, to plan how local government could meet the challenges of the future. As a result, councils agreed that change was needed and that they wanted to be strong and sustainable and to make a positive difference in their respective communities. However, there were various views as to how this could be achieved and in April 2012 the State Government appointed an independent expert panel to carry out a review of the sector. That Independent Local Government Review Panel consulted widely in developing its final recommendations which were presented to the Government in late 2013.

The panel concluded that for councils to become strong and sustainable, both the NSW Government and the local government sector would have to play a part. The State indicated its preparedness to change the way it works with councils and to support them through meaningful reform. Local councils must also be prepared to consider new ways of working and new structural arrangements. The Fit for the Future program aims to bring these changes together to lay the foundations for a stronger system of local government and stronger local communities.

The Fit for the Future program requires councils to actively assess their scale and capacity in achieving long term sustainability and for councils to submit proposals to the Government indicating how they will achieve these objectives.

Four Northern Sydney councils (Hunters Hill, Lane Cove, Mosman and Ryde) have commissioned Morrison Low to undertake a merger business case using a broad range of factors (financial, social, environmental) in order for each council to understand the implications of the merger of Hunters Hill, Lane Cove, North Sydney, Mosman, the eastern two thirds of Ryde and Willoughby as proposed by the Independent Local Government Review Panel.

IPART has just recently been appointed by the Minister for Local Government as the Expert Advisory Panel to review all local council Fit for the Future proposals. South Australian local government expert John Comrie was appointed to support IPART in the process. IPART has now published a draft methodology for the assessment of proposals[1]. Their approach and further explanation of the intended process and assessment methodology has been taken into consideration in this report.

1.2 Shared modelling

The modelling is prepared on the basis of the information publicly available and augmented by information provided by the four commissioning councils. The modelling and reporting is provided identically to the four commissioning councils in the project.

In the case of the two councils which are part of the proposed merger but not part of the project, we have relied on publically available information. Where the data is inconsistent or unclear it has not been included and will be recorded as either 'no data' or 'no result'.

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[1] Methodology for Assessment of Council Fit for the Future Proposals, Consultation Paper, April 2015

1.2.1 Providing information to enable councils to individually make their decisions

The modelling is intended to allow the councils to individually and collectively understand what the benefits and dis-benefits of the proposed merger are. It has involved analysing historic, current and forecast performance as well as drawing in information from other jurisdictions in which we have been involved in local government reform (for example, transitional costs).

The project is not intended to advise each council of the best option for them (although it may naturally fall out of the modelling). The project provides the information that will enable each council to determine its individual course of action, undertake informed consultation with its community, and ultimately form the basis of the council's submission.

The commissioning councils had a clear focus on the merits of the business case of the proposed merger as well issues of scale and capacity and communities of interest. The reporting therefore reflects that focus.

1.3 Tight timeframes

The timeframes for this project have been challenging but we appreciate that the work has been required to allow plenty of time for each council to work through issues with the community or potential merger partners and prepare submissions for 30 June 2015.

Notwithstanding that we fully understand the need for those tight timeframes, that understanding is tempered with a recognition that the data available for modelling has some limitations as a result. The standardisation of the data across the six councils has been conducted on a best efforts basis under those particular timing constraints.

The data provided within the model is drawn from a variety of sources (including the councils directly) however it is acknowledged that the timeframe limits our capacity to refine both the available data and the model itself to a fine level of detail. For consistency across the councils, publicly available information has formed the basis of the analysis. This has been refined and modified through discussions and workshops with the councils.

We have had great support from the staff of each council, providing quick responses to our requests for information and active and knowledgeable participation in the workshops. We thank the executives and staff of the councils for their input and cooperation.

2. SCOPE

2.1 Scenarios

The shared modelling project was undertaken on the basis of evaluating the following options.

1. Status Quo

The baseline for each council is measured against what each council has reported the current and future financial position to be. The analysis is based on the published financial statements and long term financial plans of the councils.

We note that each council believes that it is financially sustainable in the long term and prior work undertaken by each council (including preparation and application for Special Rate Variations) indicates that the Fit for the Future benchmarks can be met by each council.

2. Merged Council

This scenario models a merger as proposed by the Independent Review Panel and assesses the advantages and disadvantages of this against a series of criteria. The agreed criteria include financial and non-financial indicators and go beyond the government's Fit for the Future benchmarks to incorporate communities of interest, representation and the alignment between the council organisations.

The financial costs and benefits of the merger are assessed. The areas, activities and time period over which those can be expected to arise was examined and is reported.

2.2 Reporting

This report is intended to provide a collective body of information that each council will then use to determine what is in the best interests of the council and community. As such it does not seek to recommend any one option over another for a particular council.

The report compares options and highlights advantages and disadvantages. The relative weighting that each council then applies will be a matter for each individual council.

3. EXECUTIVE SUMMARY

This executive summary provides the key outcomes from our analysis. However the full report needs to be read to provide the context to the analysis and assumptions that underpin the modelling.

3.1 Scale and capacity

The government has made it clear that the starting point for every council is scale and capacity. This has been further reinforced with the release of the Fit for the Future Assessment Methodology by IPART

In the case of all the six councils, the Independent Panel position was that scale and capacity for all of the councils arises through a merger and, in the case of Ryde, splitting the council area across two different newly constituted councils. A Northern Sydney Council consisting of Hunters Hill, Lane Cove, Mosman, North Sydney, Willoughby and the eastern two thirds of Ryde. The remaining portion of Ryde would be merged with Parramatta, Holroyd, Auburn and part of The Hills.

Each council, in our view, exhibits many characteristics of scale and capacity, albeit that they do so in different ways. This report describes characteristics that a council could exhibit, that in our view show strategic capacity, and then identifies actions, plans and strategies that each of the four councils who commissioned this study have done or plan to do which demonstrate those characteristics.

3.2 Fit for the Future benchmarks

The government has established a set of Fit for the Future benchmarks which all councils are being assessed against. We have undertaken a detailed analysis of the individual council's performance against the benchmarks as well as the merged council's performance against the benchmarks.

- Hunters Hill will meet four of the benchmarks but the Operating Performance, Asset Renewal and Infrastructure Backlog ratios are not met. Hunters Hill is in the process of reviewing and updating its Long Term Financial Plan and the projections included within that will improve the Council's performance against the Operating Performance ratio so that ratio will also be met

- Lane Cove will meet all seven of the benchmarks including achieving the benchmarks that must be met by 2019/2020

- Mosman will meet four of the benchmarks and, if successful with the current SRV application, will meet all seven of the benchmarks including achieving the benchmarks that must be met by 2019/2020

- City of Ryde will meet three of the benchmarks, with a fourth (Asset Renewal) being met until 2018. If successful with the current SRV application then Ryde will meet all seven of the benchmarks including achieving the benchmarks that must be met by 2019/2020

3.3 Merged council

3.3.1 Scale and capacity

The independent panel recommendation proposed the merger. On that basis it is assumed that the merged council has scale and capacity as the government position has been very clear that scale and capacity is met by following the recommendations of the independent review panel.

The table below shows a comparison between the six councils, the merged council and the City of Sydney and Blacktown as a comparator council that has a population similar to that which the merged council would service. All of these are significantly larger than the individual councils which currently range in population from Hunters Hill (14,000) to Ryde (110,000)[2].

Table 1   Council comparison

	Merged Council	City of Sydney	Blacktown
Full time equivalent staff	1487[3]	1741	1352
Population	301,000	188,000	318,000
Annual expenditure	$356 million	$485 million	$400 million

3.3.2 Fit for the Future benchmarks

A merged council would meet only three of the indicators from day one; Own Source Revenue, Debt Service Cover and Asset Renewal.

- The Operating Performance ratio declines to a low of -8.8% during the initial transitional years and meets the benchmark from 2020 reaching 2.6% in 2021 and 2022 before starting to decline
- The Asset Renewals ratio remains above the benchmark until 2017 and then falls below 80% in 2020 to reach 73%, well below the required benchmark of 100%
- The Infrastructure Backlog rises consistently from 3% towards 5.3% by the end of the modelling period, remaining above the 2% benchmark
- Asset Maintenance stays around 80 - 85%, below the benchmark of 100, throughout the period being modelled
- The Real Operating Expenditure increases sharply reflecting the significant transitional costs of the merger but then begins to decline steadily across the years modelled

3.3.3 Meeting the benchmarks

The merged council is the sum of its parts. This means that the asset and financial positon of each council directly contributes to the overall asset and financial position of the merged council. The initial modelling of the merger combines the projected expenditure of each council on assets (new capital, renewals and maintenance) as the basis for the merged councils projected expenditure on assets.

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2   OLG Comparative data
3   Based on an apportionment of existing Ryde staff to the merger

Early modelling identified financial savings being generated by the merger and as a result operating surpluses beyond 2020. The commissioning councils requested that an alternative scenario be modelled where the merged council directed any surpluses generated into expenditure on assets in order to meet, where possible, the asset related benchmarks.

Even after applying these surpluses the merged council would not meet the asset maintenance ratio over the long term and the asset renewal and infrastructure ratios are not met consistently.

3.3.4 Debt

Two councils carry no debt whereas across the remaining four councils debt ranges from $16 per capita up to over $700 per capita. Often taking on the debt of other communities can be a significant issue to manage in a transition to a merged council.

Table 2   Comparison of debt[4]

Council	Debt ($000)	Debt per Capita ($)
Hunters Hill	$218	$16
Lane Cove	$0	$0
Mosman	$10,966	$365
Ryde	$5,615	$49
Willoughby	$52,571	$724
North Sydney	$0	$0
Merged Council	$73,128	$247

3.3.5 Rates

Modelling the changes in rates in a merger is very difficult to do with any degree of accuracy as there are a number of significant differences in the rating systems of the six councils which impact on the rates charged to an individual property. Instead the approach used has been to highlight the large differences across rating systems, structures and the current level of rates (business and residential) in each council area.

A merged council would need to align the rates over time across the communities that would now be contained with a single council area.

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[4]   Based on 2014 Actual

3.3.6   Environment and community aspirations

All of these councils express very similar priorities and desired outcomes in their Community Strategic Plan. They all have clear council-focused priorities around themes such as environment, economy, community and leadership with commonality around:

- preservation of the natural environment
- considered planning of the built environment, including managing issues such as transport and mobility while maintaining the unique or village feel of each area.
- ensuring social cohesion
- vibrant, healthy and active neighbourhoods
- accessible, accountable and transparent councils.

In terms of the natural environment and heritage, all councils have well developed aims around the protection of the natural environment reflecting their positioning on the harbour with each LEP showing differences which reflect their particular community and community aspirations, for example the protection of views to and from the harbour in Mosman and Hunters Hill.

In respect to the economy and growth, there are shared aims around providing a range of housing choices and options for residents and transport orientated growth. Again, there are individual differences across the group reflecting the different communities and community aspirations such as providing for growth of a permanent resident population in North Sydney and a hierarchy of retail, commercial and industrial activities that enables the employment capacity targets in Ryde and Lane Cove.

3.3.7   Representation

Even if the merged council had the maximum allowable number of councillors then the level of representation would fall significantly compared to the current levels in each council area; particularly so for the smaller councils like Hunters Hill and Mosman, but all communities would be affected.

Table 3   Comparison of representation

Council	Representation[5] (population / Councillor)
Hunters Hill	2,019
Lane Cove	3,747
Mosman	4,242
North Sydney	5,213
Ryde	9,232
Willoughby	5,553
Merged	20,059

This is considered to be a significant change and unless the merged council can address the apparent loss of representation could have a major negative affect on the community.

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[5] OLG Comparative data

3.3.8 Community profile and communities of interest

There are a number of similarities and differences between the areas, including the following.

All six are areas of low socio-economic disadvantage as measured by the SEIFA Index of Deprivation; with all areas ranked amongst the 20 least disadvantaged council areas in New South Wales and Mosman, Lane Cove, North Sydney and Hunters Hill ranked in the 10 least disadvantaged council areas. However, Ryde and Willoughby are more ethnically diverse in comparison to the other areas with just over half of residents born in Australia.

All six council areas belong to a cluster of councils characterised by low unemployment, however measured, reasonably high work availability and high average earnings (NIER, March 2013). Residents of all six areas tend to work in professional occupations and to be employed in similar industries; with professional, scientific and technical services the most common industry of employment.

The following general observations can also be made about the communities:

- Given their boundaries (main arterial roads and foreshore) Hunters Hill and Lane Cove appear to be quite contained communities with strong village identities
- Mosman is also bounded on three sides by harbour however as it contains the main thoroughfare between the city and the northern beaches it has a physical divide
- Ryde has a highly multicultural community and this creates identity and communities of interest around culture which is not reported as evident to the same extent in the other LGAs
- All areas report that communities tend to identify around centres or suburbs rather than local government boundaries
- All the communities tend to become united around issues which are similar across the areas, namely traffic, parking and development
- There are border crossings between many of the areas for education, retail, medical and employment, with all areas having significant attractors for outside visitation
- There are many examples of regional collaboration between various councils in this group. It is noted that Ryde and Hunters Hill share some particularly interesting relationships and service arrangements including provision of library services by Ryde to Hunters Hill, and funding of a skate park by Ryde in Hunters Hill
- There are emerging communities of interest in different LGAs associated with new developments

3.3.9 Costs and savings of the merger

The costs and savings of the merger arising throughout the period have been modelled and should be considered in conjunction with the infrastructure funding gap identified above and the overall financial performance of the merged council when making a decision.

Transition costs are, in the context of the six councils, a significant cost in the early and mid-periods of the newly merged council and arise from costs associated with creating the single entity (structure, process, policies, systems and branding), harmonisation of wages, redundancy costs and the implementation of a single IT system. Longer term costs also arise as staff numbers increase, which has been shown to be typical of merged councils and considered to arise as a result of increased services and service levels.

Savings initially arise in the short term through the reduction in the number of senior staff and Councillors. Natural attrition is used to reduce staff numbers in the short term with a focus on removing the duplication of roles across the six councils and creating greater efficiency in operation with reductions modelled in Tier 2 and 3 of the structure, the works units and back of office.

Savings are also projected to arise in relation to procurement and operational expenditure due to the size and increased capacity of the larger council. In the medium and longer term benefits arise through reducing staff numbers by removing the duplication of roles in areas such as finance, HR, IT and management. Savings also arise in creating greater efficiency in operations and some rationalisation of plant, fleet and buildings (one off).

Overall the modelling projects a financial benefit to the councils and their communities arising from the merger as set out in the table below of an estimated $50 million (NPV of projected costs and savigns raising from the merger projected until 2023 with a discount rate of 7%). The projected benefits should be seen in context of the timeframe over which they arise and the overall financial performance of the merged council and in particular the need for the organisation to increase asset expenditure to meet the Fit for the Future benchmarks.

Attributing savings to funding infrastructure

A further scenario was therefore modelled in which the surpluses (excluding grants and contributions for capital purposes) arising in the projected financial performance of the proposed merger were directed to funding infrastructure. Even, when applying the surpluses to asset renewal and maintenance the analysis concluded that the merged council would not meet the Asset Maintenance, Infrastructure Backlog ratios or Asset Renewal ratios, over the long term.

Table 4   Projected performance of the proposed merger

Benchmark	Merged Council Projected to 2023	Merged Council Projected to 2023 'Surplus to infrastructure'[6]
Operating Performance	Meets the benchmark (Not met 2016-19)	Meets the benchmark (Not met 2016-19)
Own Source Revenue	Meets the benchmark	Meets the benchmark
Debt Service Cover	Meets the benchmark	Meets the benchmark
Asset Maintenance	Does not meet the benchmark	Does not meet the benchmark
Asset Renewal	Does not meet the benchmark (Met until 2017)	Meets the benchmark (Not met in 2018, nor 2023)
Infrastructure Backlog	Does not meet the benchmark	Meets the benchmark (Not met through to 2019, nor 2021)
Real Operating Expenditure	Meets the benchmark	Meets the benchmark

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[6]   Operating surpluses (excluding grants and contributions for capital purposes) generated (2019 onwards) are directed towards asset expenditure in the following order of priority renewal, reducing the backlog and finally maintenance

3.3.10 Risks arising from merger

There are a number of significant potential financial and non-financial risks arising from this particular merger that will need to be considered, including the following which have been outlined in this report:

- Transitional costs may be more significant than set out in the business case
- The efficiencies projected in the business case may not be delivered
- The implementation costs maybe higher and the anticipated savings may not be achieved
- Decisions subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned
- The cultural integration of the five and two thirds council organisations may not go well resulting in low morale, increased staff turnover rate etc, particularly when one of the constituent councils is being split. This would reduce business performance and prolonging the time it takes for the predicted efficiencies to be achieved
- With large size differences between the councils in the merger there is a danger it is seen not as a merger but as a takeover by the larger organisations
- Service levels rise across the merged council, standardising on the highest level of those services that are being integrated
- New services are introduced that are not currently delivered in one or more of the former council areas
- The financial performance of the merged council is less than that modelled, resulting in the need to either reduce services, find further efficiency gains and/or increase rates to address the operating deficit
- Splitting Ryde Council may cause community dissatisfaction and confusion

4. ANALYSIS OF THE INDIVIDUAL COUNCILS

Together the six councils cover the lower north shore of Sydney Harbour. They stretch over a combined area of 98.3km^2 including major economic, residential and commercial zones.

A map of the area is set out below and shows each council area.

Figure 1   Map of the Northern Sydney councils affected by the proposed merger

As a starting point, the councils' current performance against the Fit for the Future benchmarks[7] has been considered and set out in the table below. We believe it is important to understand the respective position of each council as it is today, and the results are those reported in the 2014 Financial Statements of each council. Figures in red are those where the council does not meet the benchmark. We note that previously councils have not been required to report on the real operating expenditure ratio so these results were not published in the 2014 Financial Statements.

An explanation of each indicator and the basis of the calculation are set out in Appendix A. Each has been calculated in accordance with the requirements set down by the Office of Local Government. The ratios are a reduced set of benchmarks drawn from those used by TCorp in its 2013 analysis of the Financial Sustainability of the New South Wales Local Government Sector.

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[7]   Reported in the 2013/14 Financial Statements for the respective councils

Table 5   Fit for the Future benchmarks 2014

Council	Operating Performance (%)	Own Source Revenue (%)	Debt Service[8]	Asset Maintenance (%)	Infrastructure Backlog (%)	Asset Renewal (%)
Hunters Hill	-4.11	89	21	113	8	69
Lane Cove	.30	72.6	N/A	136	1.79	225
Mosman	.31	88	2.38	94	4	138
Ryde	1.15	70	27	91	6	123
Willoughby	58	85	N/A	104	4	107
North Sydney	11.8	82	4.6	62	5	67

4.1   Scale and capacity

Scale

Scale has not been defined by the either the Independent Review Panel or the Office of Local Government. The government has referred each council to the recommendation proposed by the Independent Review Panel as that is considered to be the appropriate scale and capacity for the council.

In Sydney, based on the councils which have not been proposed for a merger, it could be said that a population threshold of approximately 250,000 is considered scale. However, neither the Independent Panel, Office of Local Government nor IPART have set out any population threshold and therefore none should be applied.

On the basis that the independent panel recommendation proposed that the six councils merge, it can be assumed that a merged council would achieve the scale and capacity requirements. However, this section reviews the extent to which each individual council can also satisfy the requirements of scale and capacity

The panel report articulated the Key Elements of Strategic Capacity as follows.[9]

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[8] We note that there are different ways to calculate the Debt Service ratio but in all cases the councils meet the benchmark

[9] Box 8, Page 32 of Revitalising Local Government

Figure 2 Strategic capacity

Box 8: Key Elements of Strategic Capacity

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership.

The report considers the things each council does, their actions, plans and strategies both in the past (demonstrated) or in the future (planned) such as high levels of population growth, delivery of services that meet community needs, demonstration of improved service efficiency and focus on outcomes based on the IPR framework, working in a regional environment promoting, leading and providing a strong voice for the community. While there is a need to take and establish an holistic approach in determining the elements of scale and capacity of councils it is useful to firstly identify the types of things that councils can do which demonstrate strategic capacity. The table below sets out a series of actions, strategies and ways in which we believe individual councils and/or groups of councils can exhibit strategic capacity.

Table 6 What is capacity?

Criteria	Ways in which councils demonstrate or exhibit these qualities
More robust revenue base and increased discretionary spending	Special Rate Variations, investment Income, high levels of population growth
Scope to undertake new functions and major projects	Expenditure on capital works, track record of delivering significant (community or regional) projects, community satisfaction
Ability to employ wider range of skilled staff	Wide range of services delivered, reduction in real operating cost per capita
Knowledge, creativity and innovation	Delivery of projects, actions and initiatives, organisational culture, use of alternative business models
Advanced skills in strategic planning and policy development	Planning for regional outcomes, outcome focussed IP&R which is measured
Effective regional collaboration	Contribution and involvement in regional procurement, service delivery to other councils, provision of regional services
Credibility for more effective advocacy	Demonstrated results
Capable partner for state and federal agencies	Delivery of regionally significant projects, meeting state growth targets
Resources to cope with complex and unexpected change	Positive operating performance result, track record
High quality political and managerial leadership	Taking on hard decisions, Mayors seen as community leaders. Qualifications, experience and knowledge of Mayor, councillors and senior staff

A summary of what each of the four commissioning councils have done and are doing in regards to these is set out below with a further table summarising which actions address which of the elements of strategic capacity.

Hunters Hill Council

Hunters Hill has a high level of scale and capacity. It meets the majority of Fit for the Future benchmarks but significantly has a very robust revenue base through a combination of its Special Rates and 20 year staff capping strategies. These have delivered significant discretionary spend and a level of strategic capacity, effectively delivering 20% additional capacity to council operations. As a result council has the ability to spend on a comprehensive new assets program. At the same time they are generating service efficiency outcomes while meeting community needs, demonstrated by a customer satisfaction of 70%. This continues in their IPR framework with clarity in meeting future community needs.

Council has strong involvement in regional collaboration with the Mayor being President of NSROC, making significant contributions to regional planning, advocating for regional infrastructure, procurement and shared services. Hunters Hill has a strong culture of innovation through regional partnering in the case of the Federal Governments Red Tape Reduction program and locally a dynamic community engagement approach which has delivered higher participation.

The council is a leader and strategic decision maker in heritage planning and conservation, meeting housing targets in the Metro Strategy effective advocacy and playing a key role in successfully advocating for the M2/F3 Tunnel. They have an extensive community engagement with the community that delivered the continuation of the three Special Rate programs.

Lane Cove Council

Lane Cove meets all the Fit for the Future benchmarks, delivers service efficiency while maintaining customer satisfaction at 94%[10], and with population growth of 29% to 2031 demonstrates a high level of scale and capacity. Further strategic capacity is created through an Asset Commercialisation strategy generating income producing assets such as the aquatic centre that returns $0.5m pa to council and new investment and community facilities estimated at $70m over the next 10 years. This delivers a very significant discretionary spend equivalent to 11.2% in Operating Income.

A combination of service efficiency gains and innovation through a range of external partnerships that delivers direct community services has expanded the council's capacity. Further no positions are added to the business unless there is a revenue stream eg major project group. This type of capacity enables the acquisition of skilled staff and resources that can play a major role in influencing regional planning and infrastructure outcomes.

Lane Cove has worked with state government on strategic planning outcomes and is currently delivering metropolitan transport infrastructure at St Leonards' railway station. Leveraging development contributions through a number of VPAs due to high land values has enabled these opportunities. Through political and management leadership they take a realistically strategic approach by making the tough decision on what they are prepared to do to make things happen.

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[10]   70% rated their satisfaction with council as good or excellent and 24% rated their satisfaction as fair

Mosman Municipal Council

The strength and sustainability of the Mosman community is centred on the very strong sense of local identity and place. The council clearly delivers very high service standards and outcomes the community require and are happy to pay. With an extraordinary customer satisfaction result of 91% it has created strategic financial capacity to deliver local and regional services. In addition there is very strong community support, some 82% who want to maintain the current form of local government and are prepared to meet the financial burdens as demonstrated by supporting a Special Rate Variation of 13% from 2015/16.

The council has generated scale and strategic capacity through its Commercial Property Portfolio, On Street Parking program, an ongoing income stream from VPAs and range of sponsorship, philanthropic and grant programs. It has established a discretionary spend increase of 14% of operating income. This capacity coupled with a Backlog ratio of nil and the Asset Renewal ratio of 140% at 2023 will enable council to meet all the Fit for the Future benchmarks. This is further supported by their innovative business model to contract the majority of the day labour services, and an extensive volunteer program.

Mosman Municipal Council plays a strong role in regional services through their art gallery. Over the past three years visitation has doubled, a retail outlet opened and a range of sponsorship of philanthropy programs established, creating a viable and sustainable business.

Ryde City Council

With Ryde City Council's scale and capacity it is able to effectively manage a developing community with population expected to increase by 32% in 2031 with significant business and residential development. They have the capacity to meet all benchmarks by 2023 and generate service efficiencies of 18% reduction in real operating cost per capita. This creates the ability to employ a wider range of skilled staff.

Ryde has built its strategic capacity through a property development program, asset maintenance cost savings from VPAs, Special Rates Strategy and the creation of Community Hubs that provide a positive return. In addition, the council has negotiated $87.5m worth of community facilities and assets, with a further $38m in the pipeline.

The council clearly demonstrates the capability to partner and work with state and federal agencies by influencing a number of key strategic metropolitan planning outcomes, in particular the location and timing of residential development at Macquarie Park. With their advanced skills in strategic planning and policy development they have planned and approved growth of 26,000 units over the next 20 years, negotiated 22 VPAs valued at $130.7m and proactively assisted in the planning of 2 Urban Activation Precincts.

Council demonstrates strong leadership through courageous decisions to uphold key strategic planning positions and large development applications. It has also developed a strategic partnership with the community where they agreed to a SRV of $2m pa with council to save $2.5m pa.

For each council this is summarised in table form below, identifying which actions, plans or strategies can be attributed to each particular aspect of strategic capacity.

Table 7   **Demonstrations of strategic capacity**

Strategic Capacity Elements	Characteristics	Hunters Hill	Lane Cove	Mosman	Ryde
More robust revenue base and increased discretionary spending	*A diversified revenue base e.g. SRV, investment income* *Cost containment*	Special rate strategy with separate SRVs linked to identifiable funding activities e.g. transport FTE has remained static for 20years, to reach the Group 2 average council would need to employ an additional 19 staff	VPA income Asset commercialisation strategy; $70m in community assets through property development No O/head (staff) without revenue stream.	$1.7m from Commercial Property Portfolio On street parking meters e.g. Balmoral VPA income Art gallery revenue, SRV application	Property development program to create new revenue streams and new assets VPA income and asset provision SRV application Alternative funding strategy for Community hub and centre
	Significant population growth		29%		31.5%
Scope to undertake new functions and major projects	*Percentage of depreciation spent on new assets (total 2014-2023)*	10%	66%	5%	6.2%
	Delivering on community satisfaction (Iris LG Database-Sydney Metro Ave 13/14 70%*)	70% (2009)	94%[11] (2014)	91% (2014)	72% - (2013)
Ability to employ wide range of skilled staff	*Reduction real operating cost per capita*	9.5%	15.2%%	1.6%	18%
Knowledge, creativity and innovation	*Demonstration of innovative culture/outcomes*	Federal Govt Red Tape Reduction program HR performance develop tool Innovative community engagement approach = high participation	JV for property development External partnerships for direct services by community LC ComAid	Alternative delivery model used extensively with majority of services contracted out Volunteer program	Carbon capture program Community hubs with an income stream JV to create a prospectus for Macquarie Park

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[11] 70% rated council as good or excellent, 24% as fair.

Strategic Capacity Elements	Characteristics	Hunters Hill	Lane Cove	Mosman	Ryde
			Men's Shed		Best value reviews
Advanced skills in strategic planning and policy development	*Ability to plan for regional outcomes*	Use Nth Planning Group to develop and use regional position.	Due to high land value able to use/leverage VPAs valued at $70m to date to deliver regional and local infrastructure Transport connection St Leonard's RS	VPA to provide advertising on the footbridge – income $500K pa for asset related works ,over the 15 yrs income in excess of $8m Senior staff capacity in strategic planning and policy development.	Planned / approved growth of 26,000 units over next 20 years Negotiated 22 VPAs valued at $130.7m
	IPR Outcome Focused - Performance Achievements key performance indicators established and measured	Strategic KPIs .	KPIs established and reported both strategic and operational Annual Report	KPIs established and reported Annual report	Goals KPIs and related projects – outcomes and business measures Annual Report
Effective regional collaboration	*Extent of evolvement in regional activities*	Procurement Library Insurance pool Waste tender, waste strategy	Waste tender, waste strategy Procurement Library Insurance pool	Procurement Library	Waste tender, waste strategy Procurement Library Insurance pools
Credibility for more effective advocacy	*Demonstration of effective advocacy*	NSROC M2/F3 Campaign resulting in Tunnel	NSROC	SHOROC	NSROC Joint planning
Capable partner for the state and federal agencies	*Delivery of regional services and/or infrastructure*	Seat at the table for Regional Coordination meetings Delivered RMS boating and car park facilities.	Transport connection St Leonard's NSROC partnership with the EPA to deliver a waste improvement	Art gallery Advancing transport and health solutions for northern Sydney Working cooperatively with State and Federal	Aquatic Centre Waste Recycling Centre Community Hub Two Urban Activation Precincts – UAP;

Strategic Capacity Elements	Characteristics	Hunters Hill	Lane Cove	Mosman	Ryde
		NSROC partnership with the EPA to deliver a waste improvement program (WASIP) to HHC, LCC & Ryde	program (WASIP) to HHC, LCC & Ryde	agencies e.g. local traffic management plans with RMS.	Direct/influence State Govt on location/timing of residence in Macquarie Park Macquarie University PACE program NSROC partnership with the EPA to deliver a waste improvement program (WASIP) to HHC, LCC & Ryde
Resources to cope with complex and unexpected change	*Positive operating result excl Capital Grants/contributions*	Static FTE without a revenue stream	Yes Policy of no additional staff without revenue stream.	If successful with the SRV application there will be greater capacity to meet this criteria	Yes Approach is to scale staff up and down e.g. Project Development Unit
High quality political and managerial leadership	*Strategic decision making and engagement*	76% support a rate increase and continuance of three special rates (2012 Rating Options Survey). Meet housing targets under Metro strategy.	Through political and managerial leadership new strategic approach. Tough decisions are made through sound engagement.	Strong leadership and engagement around justifying /positioning the successful SRV	Planning decisions upheld on appeal Large developments Strategic partnership with the community on SRV. $2m in rates and Council to save $2m.
	Mayors recognised as leaders in the community and council	Mayor President of NSROC Media spokesperson Very strong regional participation Leader in heritage	Regional participation Media spokesperson	Mayor SHOROC President Regional participation Media spokesperson Thought leader in local community development	Regional participation Media spokesperson Strong lead in local and regional planning

4.2   Fit for the Future indicators

Looking at the 2014 Financial Statements provides an historic view of performance; Fit for the Future concentrates of forecast performance. It is a requirement of Fit for the Future to forecast each council's performance into the future. IPART has now ranked the benchmarks from those which a council *"must meet"* through "*must demonstrate improvement in"* and *"informs assessment"*

Metropolitan councils must meet the following ratios by 2019/2020

- Operating Performance
- Own Source Revenue
- Debt Service

Metropolitan councils are required to, at a minimum, show improvement against the following ratios by 2019/2020

- Building and Infrastructure Renewal
- Asset Maintenance
- Infrastructure Backlog

We have undertaken an analysis of both council's current financial statements and projected financial performance in their published long term financial plans to provide a base case against which to assess the performance of the merged council. Projections are based on the period 2013 - 2023 so include actuals and forecast performance. Where a council has an SRV application currently being considered this has been separately noted along with the impact of the SRV on the performance against the benchmark.

Asset Maintenance Ratio

The calculation of the maintenance ratio is based in part on the number each council reports as 'required maintenance'. There are no clear guidelines as to how required maintenance is to be calculated and as such the approach varies significantly across NSW.

Each council's assessment of required maintenance is assumed to represent the actual amount required to maintain their assets in an appropriate condition as no process to standardise the calculation of required maintenance has been undertaken.

Infrastructure Backlog Ratio

The calculation of a council's estimated cost to satisfactory is a key input into the infrastructure backlog ratio. There are no clear guidelines as to how the cost to satisfactory has to be calculated and as such the approach varies significantly across NSW.

Each council's assessment of their cost to satisfactory is assumed to represent the actual amount required to bring their assets to a satisfactory condition as no process to standardise the calculation of the estimated cost to satisfactory has been undertaken.

Based on that modelling

- Hunters Hill will meet four of the benchmarks but the Operating Performance, Asset Renewal, and the Infrastructure Backlog ratios are not met. Hunters Hill are in the process of reviewing and updating their Long Term Financial Plan and the projections included within that will improve councils performance against the Operating Performance ratio so that ratio will also be met

- Lane Cove will meet all seven of the benchmarks including achieving the benchmarks that must be met by 2019/2020

- Mosman will meet four of the benchmarks and, if successful with the current SRV application, will meet all seven of the benchmarks including achieving the benchmarks that must be met by 2019/2020

- City of Ryde will meet three of the benchmarks, with a fourth (asset renewal) being met until 2018. If successful with the current SRV application then Ryde will meet all seven of the benchmarks including achieving the benchmarks that must be met by 2019/2020

The tables below provide a summary of each council's performance against the benchmarks. The figures that follow show the trends of the benchmarks over time for each council. The government has made it clear that the trend of councils should be improving against the benchmarks.

Table 8   Hunters Hill Council performance against Fit for the Future benchmarks

Indicator	Performance to 2023
Operating Performance	*Does not meet the benchmark* *(Ratio is met under proposed new LTFP)*
Own Source Revenue	*Meets the benchmark*
Debt Service Cover	*Meets the benchmark*
Asset Maintenance	*Meets the benchmark*
Asset Renewal	*Does not meet the benchmark*
Infrastructure Backlog	*Does not meet the benchmark*
Real Operating Expenditure	*Meets the benchmark*

Table 9   Lane Cove Council performance against Fit for the Future benchmarks

Indicator	Performance to 2023
Operating Performance	*Meets the benchmark*
Own Source Revenue	*Meets the benchmark*
Debt Service Cover	*Meets the benchmark*
Asset Maintenance	*Meets the benchmark*
Asset Renewal	*Meets the benchmark*
Infrastructure Backlog	*Meets the benchmark*
Real Operating Expenditure	*Meets the benchmark*

Table 10   Mosman Council performance against Fit for the Future benchmarks

Indicator	Performance to 2023	Performance to 2023 With SRV
Operating Performance	*Does not meet the benchmark*	*Meets the benchmark*
Own Source Revenue	*Meets the benchmark*	*Meets the benchmark*
Debt Service Cover	*Meets the benchmark*	*Meets the benchmark*
Asset Maintenance	*Does not meet the benchmark*	*Meets the benchmark*
Asset Renewal	*Does not meet the benchmark (Met 2015 and 2016)*	*Meets the benchmark*
Infrastructure Backlog	*Does not meet the benchmark (Met until 2022)*	*Meets the benchmark*
Real Operating Expenditure	*Meets the benchmark*	*Meets the benchmark*

Table 11   City of Ryde Council performance against Fit for the Future benchmarks

Indicator	Performance to 2023	Performance to 2023 With SRV
Operating Performance	*Does not meet the benchmark (*Met with SRV)*	*Meets the benchmark*
Own Source Revenue	*Meets the benchmark*	*Meets the benchmark*
Debt Service Cover	*Meets the benchmark*	*Meets the benchmark*
Asset Maintenance	*Meets the benchmark*	*Meets the benchmark*
Asset Renewal	*Does not meet the benchmark (*Met with SRV) (Met until 2018)*	*Meets the benchmark*
Infrastructure Backlog	*Does not meet the benchmark (*Met with SRV)*	*Meets the benchmark*
Real Operating Expenditure	*Meets the benchmark*	*Meets the benchmark*

For completeness the performance of the two councils involved in the merger but not part of the study are set out below. Their projected financial performance has a direct impact of the financial performance of the merged council and is based on publically available information.

Table 12 Willoughby City Council performance against Fit for the Future benchmarks

Indicator	Performance to 2023
Operating Performance	*Does not meet the benchmark* *(Met until 2016, then during 2019 – 2021 ratio is met)*
Own Source Revenue	*Meets the benchmark*
Debt Service Cover	*Meets the benchmark*
Asset Maintenance[12]	*Meets the benchmark*
Asset Renewal	*Does not meet the benchmark*
Infrastructure Backlog[13]	*Does not meet the benchmark*
Real Operating Expenditure	*Meets the benchmark*

Table 13 North Sydney Council performance against Fit for the Future benchmarks

Indicator	Modelling Outcome
Operating Performance	*Does not meet the benchmark* *(Met until 2016)*
Own Source Revenue	*Meets the benchmark*
Debt Service Cover	*Meets the benchmark*
Asset Maintenance[14]	*Meets the benchmark from 2016*
Asset Renewal	*Does not meet the benchmark*
Infrastructure Backlog[15]	*Does not meet the benchmark*
Real Operating Expenditure	*Meets the benchmark*

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[12]   The forecast of a councils maintenance ratio is based on a normalised assessment of 'Required Maintenance' undertaken by Morrison Low and may differ from each council's own assessment

[13]   The forecast of a councils infrastructure backlog is based on using condition 3 as satisfactory

[14]   The forecast of a councils maintenance ratio is based on a normalised assessment of 'Required Maintenance' undertaken by Morrison Low and may differ from each council's own assessment

[15]   The forecast of a councils infrastructure backlog is based on using condition 3 as satisfactory

6. ANALYSIS OF THE PROPOSED MERGED COUNCIL

6.1 Description

The merging of the six councils into one council would create a very large council by NSW standards with a population of just over 300,000. It would be the second largest by population with only Blacktown being larger which represents a very large change for the smaller councils of Mosman and Hunters Hill.

To give some scale to the proposed council organisation, set out below are some broad indicators of the attributes of a new merged council and a comparison to the City of Sydney and Blacktown Council[16].

Table 14   Comparison of proposed merged council

	Merged Council	City of Sydney	Blacktown
Full time equivalent staff	1487[17]	1741	1352
Population	301,000	188,000	318,000
Annual expenditure	$356 million	$485 million	$400 million

6.2 Services

The range of services and facilities provided by any council to its community varies significantly from place to place. Not only do the types of services vary, but the levels of service will often be quite different from council to council.
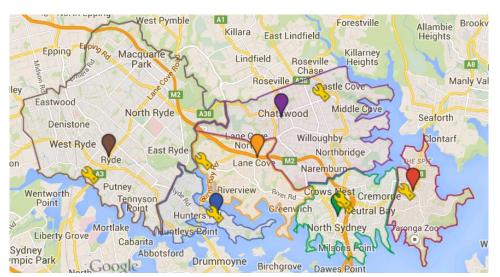
The reasons for these variations are numerous. For many councils the suite of services that they offer in the present day is a reflection of decisions made by councils past. Those decisions are generally based on community desires and needs, funding availability or strategic business choices. Figure 3 highlights the locations of some key council services including council offices, libraries and swimming pools.

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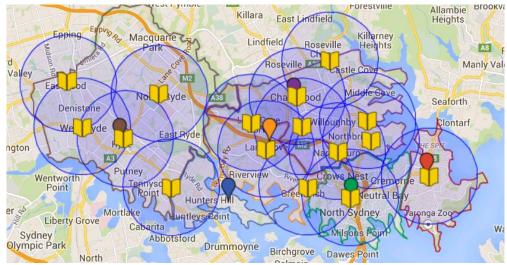
[16] OLG Comparative Performance Data 2012-13
[17] Based on an apportionment of existing Ryde staff to the merger

Figure 3   Key services and facilities of the councils

📍	Council Offices
📙	Public Libraries
🏊	Swimming Pools
🔧	Council Depots

Regardless of the original rationale for service types, levels and delivery decisions, councils need to continue to make regular and structured revisions to their service portfolios in order to meet emerging or changing community needs, capacity to pay issues or regulatory change.

The six councils are reflective of the broader local government industry and exhibit many variations on the types and levels of service that they offer to their communities despite their relative proximity. There are obviously cost implications for the councils providing different services and levels of service.

There are a range of examples where services vary across council borders and those variations can be in the form of:

- providing a particular service or not doing so
- differing methods of delivering services (in house, outsourced, collaborative)
- variety in the levels of service delivered (frequency, standard)
- pricing.

The purpose of the maps above (figure 3) is to highlight the different challenge that a merged council will be faced with in regards to the provision and the location of services and facilities. Representative catchments around libraries (3km) and swimming pools (5km) have been used. Having responsibility for a larger area without the existing internal boundaries will require a different approach and likely lead to changes in services and service delivery.

Establishing a uniform, or at least consistent, service offering through the mechanisms of service standard setting, pricing and delivery will be a challenging exercise for any merged council however it does provide opportunities for service review and re-evaluation. Often in a merged council the desire to ensure an equitable and fair service across the entire local government area can result in an immediate and sometimes dramatic increase in services, services levels and therefore costs.

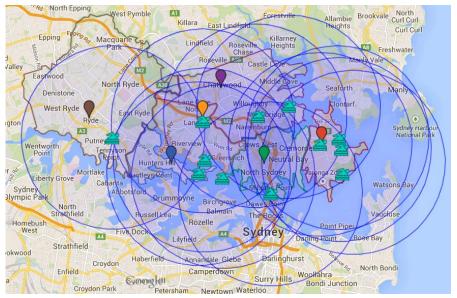In assessing the advantages and disadvantages of a merger of the six councils the assumption has been made that current service levels will continue until such time as the merged council makes a decision otherwise. We have set out in Appendix B a high level comparison across services, service levels and service delivery models in order to demonstrate the differences and therefore the challenges that a merged council would face.

6.3   Financials

The estimated costs and savings of a merger of the six councils have been modelled with the results set out below.

Tables 15 and 16 provide a summary, narrative and financials of the costs and savings of the merger with the detailed assumptions set out in Appendix C. The costs and savings arising from the merger are in comparison to the current operating costs of the combined councils.

The merged council is modelled on the basis of a combined base year where all council costs and revenues set out in the LTFP are brought together (2015), common assumptions are then modelled forward for increase in revenue and costs (2016). Overlaid are the costs and savings of the merger with Short (1-3 years), Medium (4 – 5 years) and Long Term (6 – 10 years) time horizons. For simplicity all transitional costs are modelled as taking place within the first three years.

Table 15   High level description of financial costs and savings arising from merger

Item	Short Term (1 – 3 years)		Medium term (4 – 5 years)		Long Term (6-10 years)	
	Cost	**Benefit**	**Cost**	**Benefit**	**Cost**	**Benefit**
Governance		Reduction in total cost of councillors				
Staff	Redundancy costs associated with senior staff Harmonisation	Reduction in total costs of senior staff	Redundancy costs associated with any reduction in staff numbers Increase in staff costs associated with typical increase in services and service levels from merger	Reduction in staff numbers in areas of greatest duplication	Increase in staff costs associated with typical increase in services and service levels from merger	
Materials and Contracts		Savings from procurement and network level decisions over asset expenditure		Savings from procurement and network level decisions over asset expenditure		Savings from procurement and network level decisions over asset expenditure
IT	Significant costs to move to combined IT system across entire council					Benefits arise from single IT system and decrease in staff
Assets				Rationalisation of buildings, plant and fleet		
Transitional Body	Establish council and structure, policies, procedures Branding and signage	Government grant				

Table 16   Summary of financial costs and savings [1819]

	2016 (000s)	2017 (000s)	2018 (000s)	2019 (000s)	2020 (000s)	2021 (000s)	2022 (000s)	2023 (000s)
Governance	- 872	- 899	- 927	- 955	- 985	- 1,015	- 1,046	- 1,079
Staff								
Redundancies	5,786	-	-	2,117	-	-	-	-
Harmonisation	2,817	2,903	2,993	3,085	3,180	3,278	3,379	3,483
Staff changes	- 11,515	- 18,029	- 23,933	- 32,882	- 30,964	- 28,900	- 26,635	- 24,157
IT								
Transtion costs	42,000	21,000	7,000	-	-	-	-	-
Long term Benefits	-	-	-	-	-	- 8,655	- 8,922	- 9,196
Materials and Contracts	- 2,964	- 3,056	- 3,150	- 4,750	- 4,896	- 6,645	- 6,849	- 7,060
Assets								
Plant and fleet	-	-	-	- 6,083	-	-	-	-
Buildings	-	-	-	- 28,403	-	-	-	-
Grants and Government Contributions	- 13,500	-	-	-	-	-	-	-
Transitional Costs								
Transitional body	11,000	-	-	-	-	-	-	-
Rebranding	2,000	-	-	-	-	-	-	-
Total	61,751	1,920	- 18,017	1,100	- 33,665	- 41,937	- 40,073	- 38,009

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[18]   The table provides a simple representation of costs and benefits which in the modelling are subject to appropriate inflationary adjustments
[19]   Costs are shown as positive figures, savings as negative

The NPV of the costs and benefits over the period being modelled (2023[20]) has been calculated at $50 million indicating that there would be a financial benefit to the six councils and their communities from the merger.

The NPV has been calculated consistent with the Treasury Guidelines for Economic Appraisal using a discount rate of 7%, at a lower discount rate of 4% the benefits accrued are estimated $70 million and at a higher discount rate of 10% the benefits are estimated at $34 million.

The benefit should be seen in the context of the time over which they arise (2016 -2023), the operating performance of the merged council and the need for the merged entity to spend more on infrastructure in order to meet all the asset related benchmarks.

While the merged council has a number efficiencies modelled over the short, medium and longer term the significant short term costs arising from the merger and the redundancy costs that arise in the medium term mean that the financial performance over the initial period is not positive. In the medium and longer term however the financial performance of the council improves but the impact of rising costs from staff increases associated with services and service levels begins to also take effect.

Attributing savings to funding infrastructure

A further scenario was modelled to take advantage of the projected savings arising from the proposed merger where the surpluses (excluding grants and contributions for capital purposes) were directed to funding infrastructure. Surpluses are projected to arise from 2019 through to 2023 and the results of this are set out in section 6.6 below.

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[20]   2023 is the period being modelled to match the time covered by all council LTFPs

Table 17   Summary of financial impacts of merger

Merged Council Combined LTFP	2013 (000s)	2014 (000s)	2015 (000s)	2016 (000s)	2017 (000s)	2018 (000s)	2019 (000s)	2020 (000s)	2021 (000s)	2022 (000s)	2023 (000s)
Operating Results											
Income Statement	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Source: Council Financial Statements and Long Term Financial Plan	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Rates & Annual Charges	189,525	198,395	206,436	212,629	219,008	225,578	232,346	239,316	246,496	253,890	261,507
User Fees & Charges	62,471	65,435	67,673	69,432	71,257	73,181	75,152	77,187	79,320	81,490	83,720
Grants & Contributions - Operations	21,391	17,724	19,997	33,369	20,241	20,752	21,216	21,721	22,317	22,776	23,310
Grants & Contributions for Capital	38,914	52,566	13,018	9,785	8,720	8,965	9,211	9,478	9,752	10,063	10,329
Interest and Investment Income	12,670	11,587	8,956	4,359	4,359	4,359	4,359	4,359	4,359	4,359	4,359
Gains from disposal assets	1,866	1,855	620	610	624	638	35,139	668	683	699	715
Other Income	69,678	83,212	40,460	39,804	40,720	41,656	42,615	43,595	44,597	45,623	46,672
Total Income	**396,516**	**430,775**	**357,160**	**369,988**	**364,929**	**375,131**	**420,037**	**396,322**	**407,524**	**418,901**	**430,612**
Income excl Gains\losses	394,650	428,920	356,540	369,378	364,305	374,492	384,898	395,654	406,840	418,202	429,896
Income excl Gains\losses & Capital Grants	355,735	376,354	343,522	359,594	355,585	365,527	375,687	386,177	397,089	408,138	419,567
Expenses											
Borrowing Costs	4,034	3,906	3,638	3,280	3,159	3,055	2,948	2,834	2,688	2,587	2,481
Employee Benefits	132,215	136,237	145,735	147,924	140,629	139,133	137,761	143,432	151,659	160,348	169,527
Gains & losses on disposal	4,247	4,871	90	93	95	98	101	104	107	111	114
Depreciation & Amortisation	53,682	52,188	51,589	52,978	54,464	55,589	56,772	58,963	59,910	61,270	62,412
All other Expenses	142,822	145,699	155,249	211,069	181,749	172,568	169,028	174,095	169,060	174,119	179,329
Total Expenses	**337,000**	**342,900**	**356,300**	**415,344**	**380,096**	**370,444**	**366,611**	**379,428**	**383,424**	**398,435**	**413,863**
Operating Result	**59,515**	**87,875**	**859**	**- 45,356**	**- 15,167**	**4,687**	**53,426**	**16,895**	**24,100**	**20,466**	**16,748**
Operating Result before grants & contributions for capital purposes	**20,601**	**35,309**	**- 12,158**	**- 55,141**	**- 23,887**	**- 4,278**	**44,215**	**7,417**	**14,348**	**10,402**	**6,419**

6.4   Scale and capacity

The independent panel recommendation proposed the merger. On that basis it is assumed that the merged council has scale and capacity as the government position has been very clear that scale and capacity is met by following the recommendations of the independent review panel.

6.5   Fit for the Future benchmarks

The performance of the merged council against the Fit for the Future benchmarks has been undertaken and is set out below. We have considered the performance of the merged council at the time of merger and then over the same period as the individual councils. Performance of the merged council is compared to the individual council in figures 12 – 18 without any SRVs.

An explanation of the impact of using the projected savings identified earlier, where the merged council directs operating surpluses (excluding grants and contributions for capital purposes) generated towards asset expenditure in order to improve performance against the Fit for the Future benchmarks is set out in section 6.6.

Asset Maintenance Ratio

The assessment of required maintenance for the merged council has been undertaken by Morrison Low. The approach uses a percentage of the current replacement cost as the basis for required maintenance. The rates for the different asset classes are based on our knowledge and expertise as well as consideration of ratios of a large number of Sydney based councils as benchmark comparisons.

Infrastructure Backlog Ratio

The assessment of the cost to satisfactory for the merged council has been undertaken by Morrison Low. The approach used adopts condition 3 as satisfactory and looks at the value of asset (Current Replacement Cost) in condition 4 and 5, and what could be done to ensure these assets are brought up to condition 3 (satisfactory). It should be noted the cost to satisfactory is an indicator of asset condition, and as such the reality of asset renewals is that those assets in condition 4 and 5 when renewed would be brought up to condition 1 or 2.

A merged council would meet four of the indicators from day one; Own Source Revenue, Debt Service Cover, Asset Renewal ratios.

- The Operating Performance ratio declines to a low of -8.8% during the initial transitional years and meets the benchmark from 2020 reaching 2.6% in 2021 and 2022 before starting to decline

- The Asset Renewals ratio remains above the benchmark until 2017 and then falls below 80% in 2020 to reach 73%, well below the required benchmark of 100%

- The Infrastructure Backlog rises consistently from 3% towards 5.3% by the end of the modelling period, remaining above the 2% benchmark

- The Asset Maintenance ratio remains at about 90% throughout the period being modelled, below the benchmark of 100%

- The Real Operating Expenditure increases sharply reflecting the significant transitional costs of the merger but then begins to decline steadily across the years modelled

Table 18   Summary of merged council using Fit for the Future indicators

Indicator	At Day One	Projected performance to 2023
Operating Performance	Does not meet the benchmark	Meets the benchmark (Not met 2016-19)
Own Source Revenue	Meets the benchmark	Meets the benchmark
Debt Service Cover	Meets the benchmark	Meets the benchmark
Asset Maintenance	Does not meet the benchmark	Does not meet the benchmark
Asset Renewal	Meets the benchmark	Does not meet the benchmark (Met until 2017)
Infrastructure Backlog	Does not meet the benchmark	Does not meet the benchmark
Real Operating Expenditure	Does not meet the benchmark	Meets the benchmark

Figure 4   Merged council operating performance ratio

Operating Performance Ratio

Legend:
- Hunters Hill Council
- North Sydney Council
- Willoughby City Council
- Mosman Council
- Lane Cove Council
- City of Ryde
- Merged
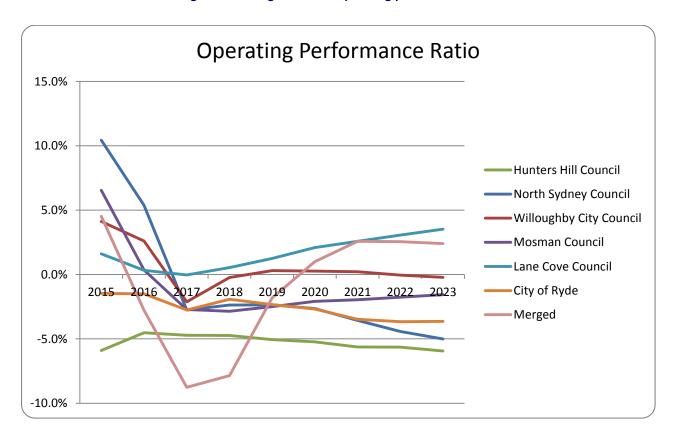
Figure 5   Merged council own source revenue
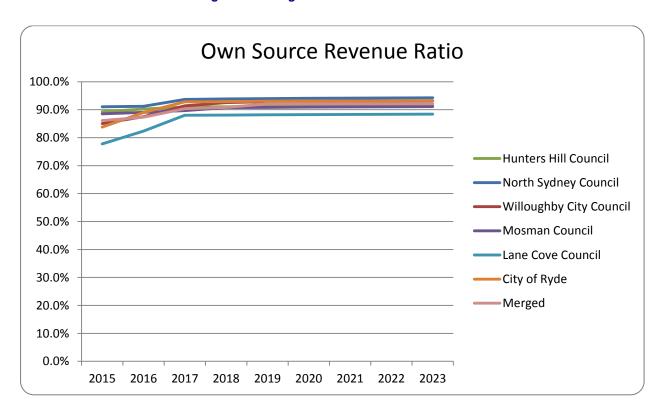
Figure 6   Merged council debt service ratio
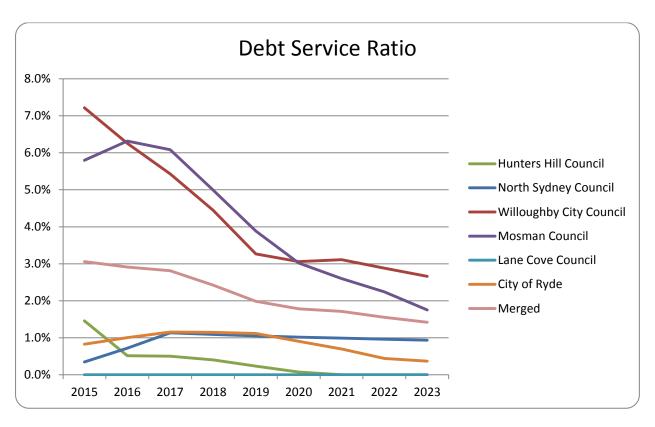
Figure 7   Merged council asset renewal ratio
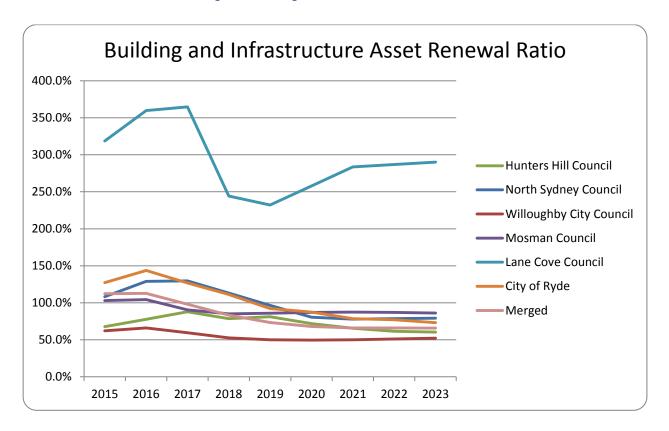
Figure 8   Merged council infrastructure backlog ratio
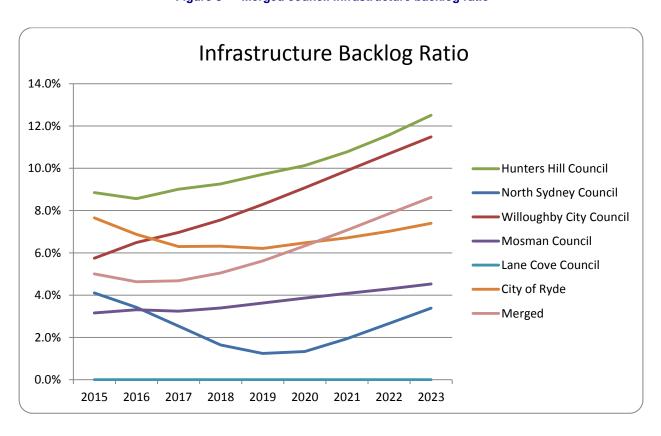
Figure 9   Merged council asset maintenance ratio

Asset Maintenance Ratio

Legend:
- Hunters Hill Council
- North Sydney Council
- Willoughby City Council
- Mosman Council
- Lane Cove Council
- City of Ryde
- Merged
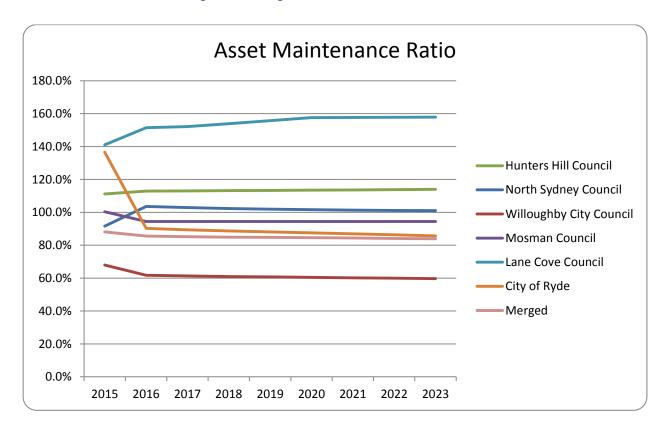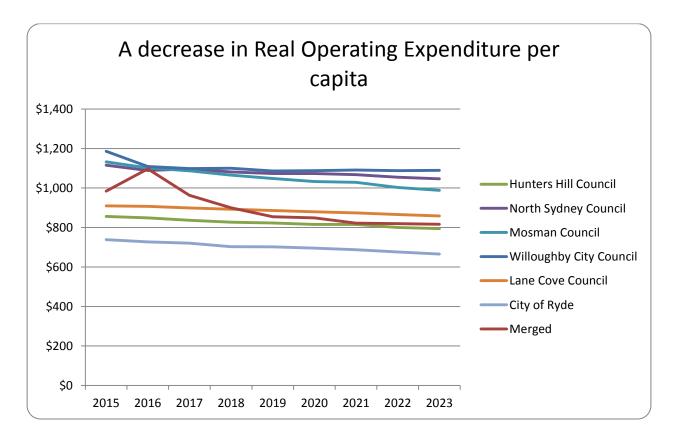
Figure 10   Merged council real operating expenditure

A decrease in Real Operating Expenditure per capita

Legend:
- Hunters Hill Council
- North Sydney Council
- Mosman Council
- Willoughby City Council
- Lane Cove Council
- City of Ryde
- Merged

6.6   Applying the surpluses to infrastructure

Taking into account the savings identified earlier and the financial performance of the merged council an alternative scenario was modelled where the merged council directed the operating surplus (excluding grants and contributions for capital purposes) generated from 2019 onwards towards asset expenditure in order to meet the Fit for the Future benchmarks.

The order of priority in which expenditure was attributed was renewal, reducing the backlog and finally maintenance. The table shows the improvement in the asset renewal ratio and backlog ratio however the asset maintenance backlog is met.

- The asset renewal ratio fluctuates being above the benchmark in 2019- 2022 but falls to 98%, just below the benchmark in 2023

- The Infrastructure backlog ratio also fluctuates reflecting the renewals expenditure. The ratio falls below the benchmark in 2020 but rises again over the benchmark in 2021, before reducing to 1.9% (below the benchmark) in 2022 and 2023

- Asset maintenance remains around 80 – 85%, well below the benchmark of 100%

Table 19   Summary of merged council using Fit for the Future indicators

Indicator	Projected Performance to 2023 (Surplus to infrastructure)
Operating Performance	Meets the benchmark (Not met 2016-19)
Own Source Revenue	Meets the benchmark
Debt Service Cover	Meets the benchmark
Asset Maintenance	Does not meet the benchmark
Asset Renewal	Meets the benchmark (Not met in 2018, nor 2023)
Infrastructure Backlog	Meets the benchmark (Not met through to 2019, nor 2021)
Real Operating Expenditure	Meets the benchmark

6.7   Rates

There are significant differences across the councils including the level of current rates, proportion of rates paid by each sector and approach (minimum or base rate). Given the differing rating structures among the councils it is difficult to model the impact of a merger on rate revenue and in particular the impacts on individual land owners.

The approach instead has been to highlight the differences in the current approaches of the six councils leaving the design of a single rating structure to the merged council whose role would be to align the rates over time.
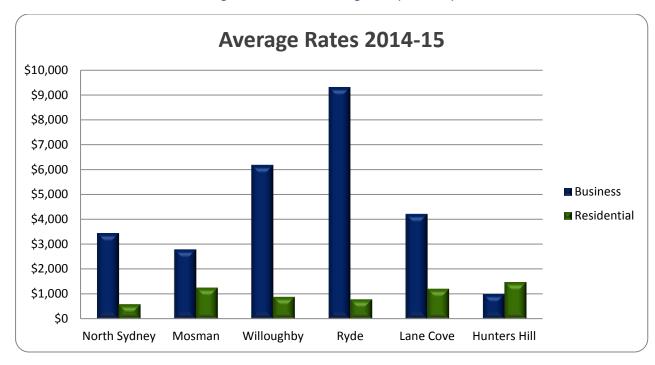
Figure 11   Current average rate (2014 - 15)

Average Rates 2014-15

Table 20   Comparison of minimum/base rates

	Hunters Hill	Lane Cove	Mosman	Ryde	Willoughby	North Sydney
Residential	$503	$592	$628*	$484	$718	$485
Business	$63*	$818	$1014*	$484	$1063	$485

Table 21   Comparison of proportion of rates

Proportion of rate yield	Hunters Hill	Lane Cove	Mosman	Ryde	Willoughby	North Sydney
Residential	97%	75%	90%	67%	75%	60%
Business	3%	25%	10%	33%	43%	40%
Proportion of rateable assessments	**Hunters Hill**	**Lane Cove**	**Mosman**	**Ryde**	**Willoughby**	**North Sydney**
Residential	95%	91%	95%	96%	90%	90%
Business	5%	9%	5%	4%	10%	10%

While the proportion of residential assessments across the six councils is relatively consistent, all are between 90% and 96% of total rateable assessments, the yield that the councils get from the residential sector has a much large variation; 67% in Ryde through to 97% in Hunters Hill.

All of these differences mean that under a merged council there are likely to be significant changes in rates for individual properties and sectors across the area in transitioning to a single rating structure over time. It would be a difficult and time consuming process to align the rating structures across the communities now within a single council area.

6.8   Debt

Two councils carry no debt, North Sydney and Lane Cove. The other councils carry varying levels of debt ranging from $16 per capita in Hunters Hill up to over $700 in Willoughby. While all councils are within the benchmark for Debt Service the different levels of debt each council and community bring to the merged council may be an issue, particularly for those communities moving from little or no debt to a higher level of debt.

Table 22   Comparison of debt

Council	Debt ($000)	Debt per Capita ($)
Hunters Hill	$218	$16
Lane Cove	$0	$0
Mosman	$10,966	$365
Ryde	$5,615	$49
Willoughby	$52,571	$724
North Sydney	$0	$0
Merged Council	$73,128	$247

6.9   Community profile and communities of interest

The following is a summary of a communities profile and communities of interest study that is set out in Appendix E.

A desktop review of the communities of Hunters Hill, Lane Cove, Mosman, North Sydney, Ryde[21] and Willoughby has been undertaken in order to understand the current demographic composition of the area, the similarities and differences between the council areas, and the interrelationships and communities of interest that currently exist within the area. The key sources of information for the desktop review were ABS Census Data, population, household and dwelling projections prepared by NSW Department of Planning and Environment[22], along with the analysis contained in the *New South Wales Local Government Areas: Similarities and Differences, A report for the Independent Local Government Review Panel* (NIER, March 2013) report[23] *('similarities and differences report').*

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[21]   The whole of Ryde has been included in this report
[22]   http://www.planning.nsw.gov.au/en-au/deliveringhomes/populationandhouseholdprojections/data.aspx
[23]http://www.localgovernmentreview.nsw.gov.au/documents/lgr/NSW%20Local%20Government%20Areas_%20Similarities%20and%20Differences%20-%20March%202013.pdf

In addition to understanding the demographic similarities and differences within the North Shore Council areas, a high level review of features of communities of interest was undertaken in consultation with relevant staff from the councils as a way of supplementing the demographic data.

The framework for communities of interest was taken from the *The Concept of Community of Interest*[24] discussion paper prepared for the SA Department of Local Government in 1989. This defines a community of interest as:

"A group of people in a residential locality having one or more of the following three dimensions:

1. *Perceptual – sense of belonging to an areas or locality which can be clearly defined*
2. *Functional - the ability to meet with reasonable economy the community's requirements for comprehensive physical and human services*
3. *Political – the ability of the elected body to represent the interests and reconcile the conflicts of its members"*

Each of these dimensions was explored in respect of the North Shore communities with a view to identifying similarities and differences between communities of interest across the region.

Communities of interest are more likely to have similar interests and needs from their council, whereas people who do not share a community of interest are more likely to have different needs from their council.

The following general observations can be made in regards to the Perceptual, Functional and Political dimensions:

- Given their boundaries (main arterial roads and foreshore) Hunters Hill and Lane Cove appear to be quite contained communities with strong village identities

- Mosman is also bounded on three sides by harbour however as it contains the main thoroughfare between the city and the Northern Beaches it has a physical divide

- Ryde has a highly multicultural community and this creates identity and communities of interest around culture which is not reported as evident to the same extent in the other LGAs

- All areas report that communities tend to identify around centres or suburbs rather than local government boundaries

- All the communities tend to become united around issues which are similar across the areas, namely traffic, parking and development

- There are border crossings between many of the areas for education, retail, medical and employment, with all areas having significant attractors for outside visitation

- There are many examples of regional collaboration between various councils in this group. It is noted that Ryde and Hunters Hill share some particularly interesting relationships and service arrangements including provision of library services by Ryde to Hunters Hill and funding of a skate park by Ryde in Hunters Hill

- There are emerging communities of interest in different LGAs associated with new developments

- There are differences in council political structures and arrangements particularly around use of committees, public involvement with council meetings, approach to development assessment and political party composition

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[24] http://www.dlg.nsw.gov.au/DLG/DLGHome/documents/CommissionsTribunals/bconcept.pdf

There are a number of similarities and differences between the communities of the areas with some key statistics summarised below. Further information is contained in Appendix E.

6.9.1   Current Base Information

Table 23   Current base information

	Population (ERP June 2013)	Number of Households	Land Area (hectares)	Population Density
Hunters Hill	14,491	4635	600	24.15
Lane Cove	33,996	13,280	1,100	30.91
Mosman	29,983	12,896	870	34.46
North Sydney	69,248	34,896	1,090	63.53
Ryde	112,545	41,679	4,065	27.69
Willoughby	73,155	28,019	2,260	32.37
Total	333,418	135,405	9,985	33.39

6.9.2   Population Growth and Forecasts

All six local government areas (LGAs) will accommodate a share of the State's growth with an overall population increase of 32.3% or around 104,050 people by 2031, across the whole area.
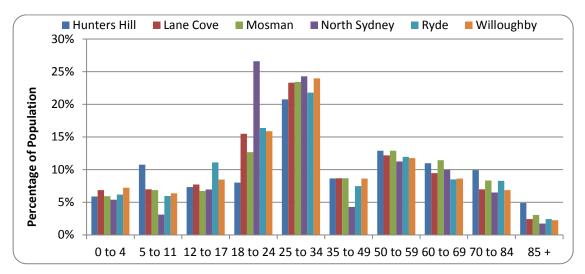
In the 30 year period between 2011 and 2031 Ryde is forecast to experience the highest level of growth at around 41%, followed by Lane Cove with growth of around 36%. North Sydney, Willoughby and Hunters Hill are forecast to experience growth of around 29%, 27% and 26% respectively. Mosman is forecast to grow at a slightly lower rate of around 20% between 2011 and 2031.

6.9.3   Age Structure

The age structure of the community provides an insight into the level of demand for age based services and facilities, as well as the key issues on which local government will need to engage with other levels of government in representation of their community.

Lane Cove, Mosman and Willoughby belong to a cluster of councils that have average proportions of children and elderly and reasonable retention rates for young adults. Hunters Hill belongs to a cluster of councils which have a very high ratio or older residents; this is evident in the relatively high proportion of residents aged 70 years and over. North Sydney and Ryde belong to a cluster of councils with a low ratio of children to adults of parenting age and a low proportion of elderly (NIER, March 2013). North Sydney has a much higher proportion of residents aged 18 to 24 years of age, relative to the other council areas.

6.9.4 Socioeconomic Disadvantage

The SEIFA Index of Disadvantage measures the relative level of socio-economic disadvantage based on a range of census characteristics. It is a good place to start to get a general view of the relative level of disadvantage of one area compared to others and is used to advocate for an area based on its level of disadvantage.

The index is derived from attributes which reflect disadvantage such as low income, low educational attainment, high unemployment and jobs in relatively unskilled occupations.

Lower scores on the index reflect higher levels of disadvantage, while higher scores indicate greater advantage. The SEIFA index provides a ranking of all 152 NSW council areas, where 1 is the most advantaged.

Mosman is the most advantaged of the six council areas with a rank of 2 in New South Wales. Mosman, Lane Cove, North Sydney and Hunters Hill are all ranked in the top ten least disadvantaged councils in the State.

	SIEFA Rank
Hunters Hill	9
Lane Cove	4
Mosman	2
North Sydney	5
Ryde	20
Willoughby	11

6.9.5 Commuter Clusters

According to the similarities and differences study, North Sydney and Mosman belong to the inner ring commuter cluster, where more than 35% of the resident workforce is employed in the City of Sydney. Hunters Hill, Lane Cove, Ryde and Willoughby belong to the middle ring commuter cluster, where around 20<35% of the resident workforce is employed in the City of Sydney (NIER, March 2013).

6.9.5.1 Workers' Place of Residence

The most common places of residence for people employed in each of the council areas are shown below. In all areas, the highest proportion of workers also live in the area. Mosman has the highest proportion of workers who also live in the area while Willoughby has the lowest.

For Hunters Hill and Lane Cove, the next highest proportion of workers is drawn from within the Ryde Council area.

	First most common place of residence	Second most common place of residence
Hunters Hill	Hunters Hill - 25.5%	Ryde - 18.59%
Lane Cove	Lane Cove - 18.16%	Ryde - 6.85%
Mosman	Mosman - 34.69%	Warringah - 11.95%
North Sydney	North Sydney - 14.76%	City of Sydney - 6.58%
Ryde	Ryde - 19.80%	Hornsby - 8.93%
Willoughby	Willoughby - 17.70%	Ku-ring-gai - 8.75%

6.9.6 Residents' Place of Work

The table below shows that Sydney City is the common place of work for residents of Hunters Hill, Lane Cove, Mosman, North Sydney and Willoughby. City of Sydney is the second most common place of work for residents of Ryde.

	Top Place of Work	Second most common place of work
Hunters Hill	Sydney - 26.2%	Hunters Hill - 16.7%
Lane Cove	Sydney - 28.51%	Lane Cove - 17.03%
Mosman	Sydney - 36.61%	Mosman - 20.68%
North Sydney	Sydney - 37.64%	North Sydney - 26.14%
Ryde	Ryde - 27.85%	Sydney - 19.63%
Willoughby	Sydney - 29.75%	Willoughby - 26.19%

6.10 Environment

6.10.1 Natural and built

A summary assessment of the council's LEPs has been considered with the emphasis on:
- protection of the natural environment
- protection of the built environment/heritage and character of the existing urban area
- the overall (policy) approach to growth and development.

In terms of the natural environment and heritage all councils have well developed aims around the protection of the natural environment reflecting their positioning on the Harbour with each LEP showing differences which reflect their particular community and community aspirations. For example the protection of views to and from the harbour in Mosman and Hunters Hill.

In respect to the economy and growth, there are shared aims around providing a range of housing choices and options for residents and transport orientated growth. Again, there are individual differences across the group reflecting the different communities and community aspirations such as providing for growth of a permanent resident population in North Sydney and a hierarchy of retail, commercial and industrial activities that enables the employment capacity targets in Ryde and Lane Cove.

A summary of the comparisons of the approach to growth and protection of the natural and built environment is set out in Appendix F.

6.11   Representation

A merged council will have significantly less councillors overall than compared to the status quo. This means that the number of people represented by each councillor would increase for all areas, significantly.

The table below shows the impact if there were fifteen councillors in the merged council. This is the current maximum allowed under the Local Government Act so represents a best possible outcome under the current legislation.

Table 24   Comparison of representation

Council	Councillors	Representation (population / Councillor)
Hunters Hill	7	2,019
Lane Cove	9	3,747
Mosman	7	4,242
North Sydney	13	5,213
Ryde	12	9,232
Willoughby	13	5,533
Merged Council	15	20,059

6.12   Organisation alignment

6.12.1 Policy alignment

A high level analysis of the vision and key directions in the Community Strategic Plans identifies the areas of relative emphasis for each council area (Appendix G).

The visions and expressed by these six councils vary greatly from a simple eight word sentence in the case of Ryde Council, to Hunters Hill's full page of text. Despite this difference, all of these councils express very similar priorities and desired outcomes in their Community Strategic Plan.

All plans express clear council-focused priorities around themes such as environment, economy, community and leadership. Whilst some have developed their primary thematic headings as neutral statements, others are based on value statements, using these headings to describe desired outcomes.

On the whole however, these six plans denote a group of councils with very similar community priorities and long term goals.

The comparison is presented visually below through Word Clouds in the figures below.

Figure 12   Summary of Hunters Hill Community Strategic Plan

Figure 13   Summary of Lane Cove Community Strategic Plan

Figure 14   Summary of Mosman Community Strategic Plan

Figure 15   Summary of City of Ryde Community Strategic Plan

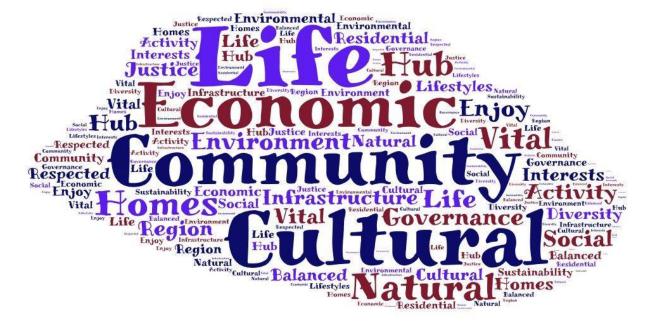**Figure 16   Summary of North Sydney Community Strategic Plan**

Figure 17   Summary of Willoughby Community Strategic Plan

6.12.2 Cultural Alignment

While it is difficult to compare the internal cultures of the council organisations in this exercise, there are both subjective and objective indicators that give and insight into how aligned or misaligned the organisations cultures can be.

Communities

Often an organisations culture develops as a direct influence of the community it serves. There are a number of indicators of cultural alignment of local government areas including the social and cultural diversity of the community (discussed in this report under communities of interest), the community aspirations and values and how the community views its relationship with council.

While there can be quite specific local needs and community aspirations, there are common themes that emerge from a comparison of the visions for their communities that are expressed by the councils in their Community Strategic Plans.

The common themes that emerge, very consistently, among the councils' community values are:

- Preservation of the natural environment
- Considered planning of the built environment, including managing issues such as transport and mobility while maintaining the unique or village feel of each area.
- Ensuring social cohesion
- Vibrant, healthy and active neighbourhoods
- Accessible, accountable and transparent councils

All of these elements of community vision are expressed differently however there is an underlying commonality.

Hunters Hill, Mosman, Lane Cove and Ryde all survey the community and are close to or above the Sydney Metropolitan benchmark for approval ratings. Mosman is the highest at 91% in June 2014 with Lane Cove at 67.5%, Ryde and Hunters Hill with 72 and 70% respectively when last surveyed. This demonstrates a strong relationship between the councils and their communities.

Corporate Organisations

By measuring training and development expenditure against both total expenditure and full time equivalent staff numbers we can assume that each of the councils has a similar approach to staff development, tempered by some variation in the actual numbers.

	Hunters Hill	Lane Cove	Mosman	North Sydney	Ryde	Willoughby
Percentage of employee costs allocated to training	1.01%	0.84%	0.77%	0.97%	0.54%	1.20%
Total employee cost ($000) per FTE	$99	$119	$130	$103	$184	$84
Total annual expense ($000) per FTE	$234	$200	$242	$244	$215	$237

None of the councils spend the industry benchmark on training and development. Hunters Hill and Willoughby spends about half of the benchmark while the remaining councils spend between one quarter and one third on staff training and development.

The annual employee costs, per employee, extend over a significant range, at $99,000 in Hunters Hill, up to $184,000 in Ryde. This represents a significant variation across the councils.

A crude indicator of staff productivity can be the portion of the operating costs spent per staff member. Comparing this, there is some variation across the councils. We add a note of caution when using these figures as they can be influenced by factors such as the maturity of the workforce and the fluctuating nature of total expenditure year on year and capital projects. Ideally they should be compared over time.

All council's publish information on their Workforce Plans and while each council's Plan is different they identify common strategic issues; ageing workforces and recruitment and retention work as major challenges for which they are developing strategies.

Hunters Hill identifies over half of its workforce as being over 50, while Mosman notes about a third of its workforce in this age bracket. Willoughby notes around 40 percent of its workforce is in the 'baby boomer' generation. Ryde notes a decline in the proportion of their workforce over 50 as compared to trends in other regions. Lane Cove has only 18 percent of its workforce over 55. Council's identify a broadly balanced gender mix across councils; however there is a focus in plans on increasing the number of women in senior and technical roles.

Lane Cove and Hunters Hill report turnover as being low, at 6.7 and 7.4 percent respectively while Willoughby, North Sydney and Ryde's is closer to the industry average at between 9 – 11 percent. Mosman council turnover was 9% in 2013-14. The industry average is around 9% turnover annually.

Again, while this is as much dependent upon the profile of the workforce as it is on corporate culture however it does identify some common ground.

There are considerable differences in the size of the workforces across the six councils. Hunters Hill is a small council with only 59 staff, while at the other end Willoughby and Ryde have large workforces of 400 – 500 staff. Organisational size can impact on culture in a range of ways, such as diversity of skills and workforce characteristics, level of specialisation vs multifunctional roles, capacity to undertake a greater range of functions and services, and partnership and advocacy capacity with other levels of government.

There are also different approaches to service delivery across the councils. Mosman uses an outsourced model for outdoor works, whereas as other councils use a mixture of contractors and day labour to deliver physical works. This is a significant cultural difference requiring different management process and practices and under a merged council over time it would be expected to move to more consistent delivery model.

Corporate values

Each Council will naturally take a different approach to developing their own corporate culture but each is underpinned by a set of organisational values. The councils generally propose similar sets of values as to how the organisations will operate which is not surprising given the public service sector in which they operate.

The common elements are:
- Commitment to the customer
- Honesty, integrity and teamwork
- Valuing diversity
- Social inclusion, fairness and equity
- Sustainability
- Safety
- Responsiveness, responsibility and accountability
- Excellence, innovation and learning

There are small variations in values between the councils and in any case these are relatively common corporate values.

Corporate Policies

A review of the policy registers can identify some interesting philosophical differences and issues that have been given priorities (at some point in time) by the different councils. While policies change from time to time they can both reflect and influence the organisational culture which is tasked with implementing them.

A desktop review of all council's policies shows that all councils have considerable policy registers, covering typical council delivery areas. This suggests a similar approach to the level of transparency around council operations.

While we recognise policies change and reflect a positon at a particular time they also reflect the organisational culture which is tasked with implementing them.

6.13   Risks arising from merger

There are significant potential risks arising from the merger both in a financial and non-financial sense. The obvious financial risks are that the transitional costs may be more significant than set out in the business case or that the efficiencies projected in the business case are not delivered. The business case is high level and implementation costs and attaining the savings will be difficult to achieve.

If, for example, the council chooses not to follow through with the projected efficiencies, this will affect the financial viability of the merged council. Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

Careful consideration of the issue of cultural integration will be required and the most consistent remedy to these particular risks is in our view strong and consistent leadership. Corporate culture misalignment during the post-merger integration phase often means the employees will dig in, form cliques, and protect the old culture. In addition to decreased morale and an increased staff turnover rate, culture misalignment reduces business performance. It also prolongs the time it takes for the predicted efficiencies to be achieved.

The integration of services with differing service levels often leads to standardising those service levels at the highest level of those services that are being integrated. This is quite often a response to a natural desire to deliver the best possible services to communities as well as the need to balance service levels to community expectations across the whole area. However it does pose the risk of increased delivery costs and/or lost savings opportunities. Similarly, introducing services that are not currently delivered in one or more of the former council areas to the whole of the new council area will incur additional costs.

Alongside these typical risks arising from a merger any reduced financial performance would be likely to lead to the new council having to review services and service levels to seek significant further efficiency gains and/or increase rates to address the operating deficit.

The assessment of each council's infrastructure backlog and the asset maintenance ratio has been accepted for the purposes of this project and by the other councils at face value. There is therefore a risk to each council of not fully understanding the condition of each other's networks or the financial costs of maintaining these over the long term.

7. CONCLUSIONS

The government has made it clear that the starting point for every council is scale and capacity. Based on the Independent Panel position, it appears that their view was that scale and capacity for each of the councils arises through a merger with each other.

7.1 Individual councils

7.1.1 Scale and capacity

With no guidance on what constitutes scale, other than the independent review panel recommendation for the councils this report concentrates on the strategic capacity criteria. It considers, from a practical sense, what councils can do that exhibits the key aspects of strategic capacity. The report identifies a range of actions, plans and strategies that councils can take and then identifies what each individual council does in this regard.

Hunters Hill Council

Hunters Hill has a high level of scale and capacity. It meets the majority of FFF benchmarks but significantly, has a very robust revenue base through a combination of its Special Rates and 20 year staff capping strategies. These have delivered significant discretionary spend and a level of strategic capacity, effectively delivering 20% additional capacity to council operations. As a result council has the ability to spend on a comprehensive new assets program. At the same time they are generating service efficiency outcomes while meeting community needs, demonstrated by a Customer Satisfaction of 70%. This continues in their IPR framework with clarity in meeting future community needs.

Council has strong involvement in regional collaboration with the Mayor being President of NSROC, making significant contributions to regional planning, advocating for regional infrastructure, procurement and shared services. Hunters Hill has a strong culture of innovation through regional partnering in the case of the Federal Governments Red Tape Reduction program and locally a dynamic community engagement approach which has delivered higher participation

The council is a leader and strategic decision maker in heritage planning and conservation, meeting housing targets in the Metro Strategy effective advocacy and plying a key role in successfully advocating for the M2/F3 Tunnel. They have an extensive community engagement with the community that delivered the continuation of the three Special Rate programs.

Lane Cove Council

Lane Cove meets all the FFF benchmarks, delivers service efficiency while maintaining customer satisfaction at 67.5% and with population growth of 29% to 2031 demonstrates a high level of scale and capacity. Further strategic capacity is created through an Asset Commercialisation strategy generating income producing assets such as the aquatic centre that returns $0.5m pa to Council and new investment and community facilities estimated at $70m over the next ten years. This delivers a very significant discretionary spend equivalent to 11.2% in Operating Income.

A combination of service efficiency gains and innovation through a range of external partnerships that delivers direct community services has expanded the council's capacity. Further, no positions are added to the business unless there is a revenue stream eg Major Project Group. This type of capacity enables the acquisition of skilled staff and resources that can play a major role in influencing regional planning and infrastructure outcomes.

Lane Cove has worked with state government on strategic planning outcomes and is currently delivering metropolitan transport infrastructure at St Leonards' railway station. Leveraging development contributions through a number of VPAs due to high land values has enabled these opportunities. Through political and management leadership they take a realistically strategic approach is by making the tough decision on what they are prepared to do to make things happen.

Mosman Municipal Council

The strength and sustainability of the Mosman community is centred on the very strong sense of local identity and place. The council clearly delivers very high service standards and outcomes the community require and are happy pay. With an extraordinary customer satisfaction result of 91% it has created strategic financial capacity to deliver local and regional services. In addition there is very strong community support, some 82% who want to maintain the current form of local government and are prepared to meet the financial burdens as demonstrated by supporting a Special Rate Variation of 13% from 2015/16.

The council has generated scale and strategic capacity through its Commercial Property Portfolio, On Street Parking program, an ongoing income stream from VPAs and range sponsorship, philanthropic and grant programs. It has established a discretionary spend increase of 14% of operating income. This capacity coupled with Backlog ratio of nil and the Asset Renewal ratio of 140% at 2023 will enable council to meet all the Fit for the Future benchmarks. This is further supported by their innovative business model to contract the majority of the day labour services and an extensive volunteer program.

Mosman Municipal Council plays a strong role in regional services through their art gallery. Over the past three years visitation has doubled, a retail outlet opened, and a range of sponsorship of philanthropy programs established creating a viable and sustainable business.

Ryde City Council

With Ryde City Council's scale and capacity it is able to effectively manage a developing community with population expected to increase by 32% in 2031 with significant business and residential development. They have the capacity to meet all benchmarks by 2023 and generate service efficiencies of 18% reduction in real operating cost per capita. This creates the ability to employ wider range of skilled staff.

Ryde has built its strategic capacity through a Property Development Program, asset maintenance cost savings from VPAs, Special Rates Strategy and the creation of Community Hubs that return a positive return. In addition, the council has negotiated $87.5m worth of community facilities and assets with a further $38m in the pipeline.

The council clearly demonstrates the capability to partner and work with state and federal agencies by influencing a number of key strategic metropolitan planning outcomes in particular the location and timing of residential development at Macquarie Park. With their advanced skills in strategic planning and policy development they have planned and approved growth of 26,000 units over next 20 years, negotiate 22 VPAs valued at $130.7m and proactively assisted in the planning of 2 Urban Activation Precincts.

Council demonstrates strong leadership through courageous decisions to uphold key strategic planning positions and large developments applications. It has also developed a strategic partnership with the community where they agreed to a SRV of $2m pa with council to save $2.5m pa.

This is summarised in a table form below identifying which actions, plans or strategies can be attributed to each particular aspect of strategic capacity.

7.1.2 Fit for the Future benchmarks

Lane Cove is projected to meet all the Fit for the Future benchmarks throughout the period being modelled.

Mosman and Ryde each have an application for a Special Rate Variation currently under consideration. If successful, both councils will meet all of the Fit for the Future benchmarks throughout the period being modelled.

Hunters Hill will meet four of the benchmarks but the Operating Performance, Asset Renewal, and the Infrastructure Backlog ratios are not met. Hunters Hill are in the process of reviewing and updating their Long Term Financial Plan and the projections included within that will improve council's performance against the Operating Performance ratio so that ratio will also be met meaning five are achieved over the period being modelled.

7.2 Proposed merged council

7.2.1 Scale and capacity

Based on the Independent Panel position, it appears that their view was that scale and capacity for each of the councils arises through a merger with each other. It can therefore be assumed that in the government's view the merger has scale and capacity.

7.2.2 Fit for the Future benchmarks

A merged council would meet four of the indicators from day one; Own Source Revenue, Debt Service Cover, Asset Renewal ratios.

- The Operating Performance ratio declines to a low of -8.8% during the initial transitional years and meets the benchmark from 2020 reaching 2.6% in 2021 and 2022 before starting to decline
- The Asset Renewals ratio remains above the benchmark until 2017 and then falls below 80% in 2020 to reach 73%, well below the required benchmark of 100%
- The Infrastructure Backlog rises consistently from 3% towards 5.3% by the end of the modelling period, remaining above the 2% benchmark
- The Asset Maintenance Ratio remains at about 80 - 85% throughout the period being modelled, below the benchmark of 100%
- The Real Operating Expenditure increases sharply reflecting the significant transitional costs of the merger but then begins to decline steadily across the years modelled

Table 25   Summary of merged council using Fit for the Future indicators

Indicator	At Day One	Projected performance to 2023
Operating Performance	Does not meet the benchmark	Meets the benchmark (Not met 2016-19)
Own Source Revenue	Meets the benchmark	Meets the benchmark
Debt Service Cover	Meets the benchmark	Meets the benchmark
Asset Maintenance	Does not meet the benchmark	Does not meet the benchmark

Asset Renewal	Meets the benchmark	Does not meet the benchmark (Met until 2017)
Infrastructure Backlog	Does not meet the benchmark	Does not meet the benchmark
Real Operating Expenditure	Does not meet the benchmark	Meets the benchmark

An alternative scenario was modelled where the projected savings were taken into account and surpluses (excluding grants and contributions for capital purposes) generated by the merged council. Using the savings generated by the merged assists in funding asset renewal so that the ratio is met more frequently, as is the infrastructure backlog ratio but the merged council does not achieve the asset maintenance ratio.

7.2.3 Financial costs and savings of the merger

The costs and savings of the merger arise throughout the period being modelled. The costs and savings should not be considered in isolation. They only form part of the information on which a decision should be made and in particular they should be considered in conjunction with the infrastructure funding gap identified above.

Initially in the transition from six councils into one there are costs associated with creating the single entity (structure, process, policies, systems and branding), costs continue to arise through redundancies of senior staff and the implementation of a single IT system across the new council which has significant cost implications. Costs of the merger continue to arise in the medium and longer term largely from redundancy costs (one off) but also through an increase in staff. This increase is typical of merged councils and considered likely to arise as a result of changes in services and service levels with the positions typically service facing ones.

Savings initially arise in the short term through the reduction in the number of senior staff and Councillors required in comparison to the councils combined. Natural attrition is initially applied meaning that overall staff numbers fall in the short term. Savings are also projected to arise in relation to procurement and operational expenditure due to the size and increased capacity of the larger council. In the medium and longer term benefits arise through reducing staff numbers by removing the duplication of roles in areas such as finance, HR, IT and management. Savings also arise in creating greater efficiency in operations and some rationalisation of plant, fleet and buildings (one off).

Overall the modelling projects a financial benefit to the councils and their communities arising from the merger as set out in the table below of an estimated $50 million (NPV of projected costs and savigns raising from the merger projected until 2023 with a discount rate of 7%).

The projected benefits should be seen in context of the timeframe over which they arise and the overall financial performance of the merged council and in particular the need for the organisation to increase asset expenditure to meet the Fit for the Future benchmarks.

Attributing savings to funding infrastructure

A further scenario was therefore modelled in which the surpluses (excluding grants and contributions for capital purposes) arising in the projected financial performance of the proposed merger were directed to funding infrastructure. Even, when applying the surpluses to asset renewal and maintenance the analysis concluded that the merged council would not meet the asset maintenance ratio over the long term and the infrastructure backlog ratios and asset renewal ratios are not consistently met.

Table 26 Projected performance of the proposed merger

Benchmark	Merged Council Projected to 2023	Merged Council Projected to 2023 'Surplus to infrastructure'
Operating Performance	Meets the benchmark (Not met 2016-19)	Meets the benchmark (Not met 2016-19)
Own Source Revenue	Meets the benchmark	Meets the benchmark
Debt Service Cover	Meets the benchmark	Meets the benchmark
Asset Maintenance	Does not meet the benchmark	Does not meet the benchmark
Asset Renewal	Does not meet the benchmark (Met until 2017)	Meets the benchmark (Not met in 2018, nor 2023)
Infrastructure Backlog	Does not meet the benchmark	Meets the benchmark (Not met through to 2019, nor 2021)
Real Operating Expenditure	Meets the benchmark	Meets the benchmark

7.2.4 Rates

The significant differences in the current rating structures and the differences in the current levels of rates mean that under a merged council there are likely to be significant changes in rates for individual properties and sectors across the area in transitioning to a single rating structure over time.

It would be a difficult and time consuming process to align the rating structures across the communities now within a single council area.

7.2.4.1 Debt

Two councils carry no debt, North Sydney and Lane Cove. The other councils carry varying levels of debt ranging from $16 per capita in Hunters Hill up to over $700 in Willoughby. While all councils are within the benchmark for Debt Service the different levels of debt each council and community bring to the merged council may be an issue; particularly for those communities moving from little or no debt to a higher level of debt.

7.2.5 Environment and Community Aspirations

All of these councils express very similar priorities and desired outcomes in their Community Strategic Plan. They all have clear council-focused priorities around themes such as environment, economy, community and leadership with commonality around

- preservation of the natural environment
- considered planning of the built environment, including managing issues such as transport and mobility while maintaining the unique or village feel of each area.
- ensuring social cohesion
- vibrant, healthy and active neighbourhoods
- accessible, accountable and transparent councils.

In terms of the natural environment and heritage all councils have well developed aims around the protection of the natural environment reflecting their positioning on the Harbour with each LEP showing differences which reflect their particular community and community aspirations, for example the protection of views to and from the harbour in Mosman.

In respect to the economy and growth, there are shared aims around providing a range of housing choices and options for residents and transport orientated growth. Again, there are individual differences across the group reflecting the different communities and community aspirations such as providing for growth of a permanent resident population in North Sydney and a hierarchy of retail, commercial and industrial activities that enables the employment capacity targets in Ryde and Lane Cove.

7.2.6   Representation

Even assuming a merged council had the maximum of fifteen councillors the number of people represented by each councillor would significantly increase for all council areas. With a population of over 300,000 the changes would be most dramatic for the smaller councils where representation is currently around 2,000 - 4,000 residents per councillor. In the merged council each councillor would represent approximately 20,000 residents. This is considered to be a significant change and unless the merged council can address the apparent loss of representation could have a major negative affect on the community.

7.2.7   Community profile and communities of interest

The councils and their communities have many similar features, and some differences. All six are areas of low socio-economic disadvantage as measured by the SEIFA Index of Deprivation; with all areas ranked amongst the 20 least disadvantaged council areas in New South Wales and Mosman, Lane Cove, North Sydney and Hunters Hill ranked in the ten least disadvantaged council areas. However, Ryde and Willoughby are more ethnically diverse in comparison to the other areas with just over half of residents born in Australia.

All six council areas belong to a cluster of councils characterised by low unemployment, however measured, reasonably high work availability and high average earnings (NIER, March 2013). Residents of all six areas tend to work in professional occupations and to be employed in similar industries; with professional, scientific and technical services the most common industry of employment.

The following general observations can also be made about the communities:

- Given their boundaries (main arterial roads and foreshore) Hunters Hill and Lane Cove appear to be quite contained communities with strong village identities
- Mosman is also bounded on three sides by harbour however as it contains the main thoroughfare between the city and the Northern Beaches it has a physical divide
- Ryde has a highly multicultural community and this creates identity and communities of interest around culture which is not reported as evident to the same extent in the other LGAs
- All areas report that communities tend to identify around centres or suburbs rather than local government boundaries
- There are border crossings between many of the areas for education, retail, medical and employment, with all areas having significant attractors for outside visitation
- There are many examples of regional collaboration between various councils in this group. It is noted that Ryde and Hunters Hill share some particularly interesting relationships and service arrangements including provision of library services by Ryde to Hunters Hill and funding of a skate park

7.2.8 Potential risks

The restructuring of any business activity is always a source of potential risk and the merging of council organisations is no exception. A proper risk assessment and mitigation process is an essential component of any structured merger activity.

Notwithstanding the above, this report is not intended to incorporate or deliver a detailed risk management strategy for any merger of the councils. However it is possible to at least identify the major risks involved in the process from a strategic perspective.

Subsequent events and policy decisions

The primary risk is that the efficiencies projected in the business case are not delivered. This can occur for a variety of reasons however the highest risk is that subsequent events are inconsistent with the assumptions or recommendations made during the process.

Those events may arise from regulatory changes between analysis and delivery or subsequent policy decisions about service levels or priorities. As an example, a policy decision to adopt a "no forced redundancies" position after the statutory moratorium expires is unlikely to deliver on the financial savings proposed.

Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

APPENDIX A FIT FOR THE FUTURE BENCHMARKS[25]

Operating Performance Ratio

$$\frac{\textit{Total continuing operating revenue (exc. capital grants and contributions)}}{\textit{less operating expenses}}$$

Total continuing operating revenue (exc. capital grants and contributions)

Description and Rationale for Criteria:

TCorp in their review of financial sustainability of local government found that operating performance was a core measure of financial sustainability.

Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.

Operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements.

Description and Rationale for Benchmark:

TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a 3 year period.

Own Source Revenue Ratio

Total continuing operating revenue less all grants and contributions

Total continuing operating revenue inclusive of capital grants and contributions

Description and Rationale for Criteria:

Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.

Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.

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[25] Office of Local Government Fit for the Future Self-Assessment Tool

Description and Rationale for Benchmark:

TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.

It is acknowledged that many councils have limited options in terms of increasing its own source revenue, especially in rural areas. However, 60 per cent is considered the lowest level at which councils have the flexibility necessary to manage external shocks and challenges.

Debt Service Ratio

$$\frac{\textit{Cost of debt service (interest expense \& principal repayments)}}{\textit{Total continuing operating revenue (exc. capital grants and contributions)}}$$

Description and Rationale for Criteria:

Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.

Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.

Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.

Council's effectiveness in this area is measured by the Debt Service Ratio.

Description and Rationale for Benchmark:

As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than 0 and less than or equal to 20 per cent.

Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

Asset Maintenance Ratio

$$\frac{\textit{Actual asset maintenance}}{\textit{Required asset maintenance}}$$

Description and Rationale for Criteria:

The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.

The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

Description and Rationale for Benchmark:

The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.

Given that a ratio of greater than one hundred percent is adopted, to recognise that maintenance expenditure is sometimes lumpy and can be lagged, performance is averaged over three years.

Building and Infrastructure Renewal Ratio

$$\frac{\textit{Asset renewals (building and infrastructure)}}{\textit{Depreciation, amortisation and impairment (building and infrastructure)}}$$

Description and Rationale for Criteria:

The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.

This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

Given that a ratio of greater than one hundred percent is adopted, to recognise that capital expenditures are sometimes lumpy and can be lagged, performance is averaged over three years.

Infrastructure Backlog Ratio

Estimated cost to bring assets to a satisfactory condition
Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets

Description and Rationale for Criteria:

The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.

It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.

This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.

TCorp adopted a benchmark of less than 2 per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

Reduction in Real Operating Expenditure

Description and Rationale for Criteria:

At the outset it is acknowledged the difficulty in measuring public sector efficiency. This is because there is a range of difficulty in reliably and accurately measuring output.

The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.

It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively Councils:

- can realise natural efficiencies as population increases (through lower average cost of service delivery and representation); and

- can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).

Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).

Description and Rationale for Benchmark:

The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by the Independent Pricing and Regulatory Tribunal (IPART). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community, in the context of their development of their Integrated Planning and Reporting.

Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a 5-year trend.

APPENDIX B   HIGH LEVEL SERVICES COMPARISON

	Mosman	Lane Cove	Willoughby	North Sydney	Ryde	Hunters Hill
Number of Councillors	7	9	13	11	12	7
Population per Councillor	4283	3777	5627	6295	9233	2070
Number of Equivalent Full Time Employees	161	184	406	383	440	59
Population per staff member	186	185	180	181	252	246
Administration						
Response to customer requests	•				• customer service requests actioned within 10 working days	• Service level requires initial response to all customer service requests is made within 10 working days
Health						
Solid Waste Management	Mosman, Manly, Warringah and Pittwater have agreed a shared service and a jointly owned Resource Recovery Centre • **General waste fortnightly** • **Food waste weekly** • Co-mingled recycling fortnightly	• General waste weekly • **Separate paper and cardboard and mixed containers collected fortnightly on alternate weeks** • Green waste fortnightly • Four free Household Clean-Up per year	• General waste weekly • Comingled recycling weekly • Green waste weekly • three scheduled Household Clean-ups and one free On-Call Clean-Up per year • Chemical cleanout service	• General waste weekly • Co-mingled recycling weekly • **Household clean-up service can be booked for fortnightly collection** (no apparent limit on number of bookings per year) • Two e-waste	• General waste weekly • Co-mingled recycling fortnightly • Green waste fortnightly • On-call household clean-up service (5 calls per year) • E-waste council offers on-call service (5 calls per year)	• General waste collected weekly • Separate collection of paper and cardboard and mixed containers • Green waste fortnightly • On-call household clean-up service (2 calls per year) • Compost bins and

	Mosman	Lane Cove	Willoughby	North Sydney	Ryde	Hunters Hill
	• Apartments all bins weekly • Bi-annual household clean-up collection • E-waste collection periodic	• E-waste and chemical cleanout collection periodic	periodic	collections per year		worm farms for sale
Street Cleaning/Graffiti removal	• the removal of graffiti from Council owned property within one working day of identification; • the removal of graffiti from private properties within three working days of identification	• The Village Graffiti Reduction Program funds the removal graffiti from businesses in the Lane Cove LGA – free of charge if visible from a public place • Council removes graffiti off Council properties	• Council removes graffiti from Council properties Graffiti will only be removed from private property by Council if: • It can be seen from a public road, Public Park or other land the general public uses • Its removal can be safely undertaken from the public space without requiring entry onto the subject property • Its removal can safely be undertaken by Council's contractor to a maximum height of 3 metres without the aid of scaffolding	• Selected Council-owned and private properties that have to be patrolled regularly and graffiti has to be removed within three days • Council and private properties that are not patrolled regularly but once the graffiti is reported, it must be removed within three days Graffiti will only be removed from private property by Council if: • It can be seen from a public road, Public Park or other land the general public uses • Its removal can be safely undertaken from the public space without requiring entry onto the subject property	• Council has a program to remove all graffiti on public and private land within 24 - 72 hours of it being reported	• Council website refers residents to the NSW graffiti prevention website • Council removes graffiti from Council properties

	Mosman	Lane Cove	Willoughby	North Sydney	Ryde	Hunters Hill
			• Its removal can safely be undertaken with limited traffic control equipment	• Its removal can safely be undertaken by Council's contractor to a maximum height of 3 metres without the aid of scaffolding • Its removal can safely be undertaken with limited traffic control equipment		
Public Libraries	**1** Library • Children's activities • Teens activities • Reciprocal borrowing through **Shorelink** network which links the five Lower North Shore Council Libraries of Lane Cove, Manly, Mosman, Stanton (North Sydney) and Willoughby	**2** Libraries • Children's activities • Community learning • Events and activities programme • Reciprocal borrowing through **Shorelink** network	**7** Libraries • Children's activities (• Community learning • Events and activities programme • Reciprocal borrowing through **Shorelink** network	**1** Library • Events and activities like discussion series and book groups • Children's activities • Reciprocal borrowing through **Shorelink** network	**5** Libraries • Internet and email free of charge • Children's activities • Events and activities programme • JP services • Council Kiosk • Home delivery (mobility) • Accessible by free community bus	Hunters Hill make a financial contribution to **Ryde** for the provision of library services • Internet and email free of charge • Children's activities • Events and activities programme • JP services • Council Kiosk • Home delivery (mobility) • Accessible by free community bus
Swimming Pools (number)	• 1 swimming pools	• 3 swimming pools	• 2 swimming pools	• 1 swimming pool	• 1 swimming pool	• 1 swimming pool
Parks and Reserves	• 29 parks and reserves	• over 50 parks and reserves	• 134 parks and reserves	• 189 parks and reserves	• 34 parks and reserves	• 207 parks and open space areas

	Mosman	Lane Cove	Willoughby	North Sydney	Ryde	Hunters Hill
Transport and communication						
- Road length (kms)	• 94 kilometres of road	• 110km of roadway and	• 211km of sealed roads	• Regional Roads 9.8 km • Local Roads 128 km	• 321 km of road	• 2 km Regional roads • 67 km Local roads
- Road sweeping	• Main roads in Mosman are cleansed at least once per day • Residential roads are cleaned once every three weeks		• Ten residential areas each of which is cleaned once a fortnight • Willoughby shopping centre and Chatswood mall every morning			• Street sweeping is carried by Council's contractor • Streets are cleaned on a fortnightly roster
- Footpaths	• 175 kilometres of footpath	• in excess of 150km of public pathways	• 387 km of footpaths within road reserves • 49 km of footpaths within parks • 9.5 km of shared pathways	• 217 km of footpath	• 448km of footpaths	• 87 kms footpaths and cycleways
- Marine facilities	• 2 Baths • 3 Jetties • 1 natural 'pool' (Clem Morath Pool) • Seawalls (3.3km)	• Seawalls	• Seawalls	• Seawalls	• Seawalls	• 3 wharfs • 1 boat ramp • 2 tidal baths • seawalls

APPENDIX C   COSTS AND BENEFITS ARISING FROM A MERGER OF HUNTERS HILL, LANE COVE, MOSMAN, NORTH SYDNEY, RYDE AND WILLOUGHBY COUNCILS – DETAILED ASSUMPTIONS

Costs and benefits identified below form the basis of the modelling referred to throughout the report. Costs outlined below are one off unless stated otherwise whereas benefits continue to accrue each year unless stated otherwise.

Assumptions have been made using the best available information including analysis of various reports on and estimates of merger costs in other similar situations. This has been supplement with professional opinion of Morrison Low staff based on experience including with the Auckland Transition Authority.

Queensland Treasury Corporation August 2009 Report

In an August 2009 report[26] from the Queensland Treasury Corporation reporting on costs associated with the amalgamation of the Western Downs Regional Council, the report said:

A net cost outcome in the first local government term is likely as local governments will incur most of their amalgamation costs prior to, and in the two to three years subsequent to, amalgamation. These costs then taper off. However, the savings resulting from amalgamation are likely to gradually increase over time through:

- *greater efficiency (ie, a reduction in costs through improved economies of scale)*
- *Improved decision making capability, and*
- *Improved capacity to deliver services.*

While Western Downs only identified minor potential future benefits, it is likely that benefits will be generated from a reduction in CEO wages, natural attrition and procurement efficiencies etc, while providing existing services at current service standards. It is noted that Western Downs has been able to extend the delivery of certain services across the local government area.

Queensland Treasury also provided comment on the reality that local government is different from businesses and that it can be difficult to measure benefits from mergers on a commercial basis:

Businesses generally undertake amalgamations and mergers on the basis of a number of factors such as cost savings, increased market share, improved synergies and improved decision making capability. Generally, these factors are measured in the context of reduced staff numbers, reduced operating costs, improved profitability, increased market share and higher share prices.

With local government these benefits are more difficult to measure as local governments may utilise savings achieved from improved economies of scale to increase the range and/or to improve the quality of services offered. As a consequence, the cost savings of amalgamation of local governments do not generally show up as improved profitability (ie, operating surpluses). Similarly, improved decision making capability results in more effective decisions and better outcomes to residents but may not be reflected in a local government's bottom line. This is because local governments, unlike the private sector, are

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[26]   Queensland Treasury Corporation - Review of Amalgamation Costs Funding Submission of Western Downs Regional Council, August 2009

not in the business of making profits. Therefore, it is more difficult to measure the cost savings resulting from amalgamation of local governments than it is for corporations as the benefits will generally be utilised by the amalgamated local government in the provision of services.

Alan Morton in his report titled Outcomes from Major Structural Change of Local Government, which was released in July 2007, estimated administrative cost savings from the Cairns, Ipswich and Gold Coast amalgamations of 1992/93 were between 1.1 per cent and 3.1 per cent. The report also stated that the South Australian Government estimated savings of 3.0 per cent to 5.0 per cent of expenditure resulting from amalgamation.

These estimates focused on administrative efficiency rather than the outcomes achieved through improved local government decision making capability. A potential measure of improved local government capability is ratepayer satisfaction. Alan Morton, together with the company Market Facts, undertook a survey of ratepayers of the five amalgamated local governments in 1992/93. The outcome of this survey was very positive and it indicated that over double the number of ratepayers considered the amalgamations were successful compared to those that thought the amalgamations were unsuccessful. This is considered a good outcome considering the main ratepayer concerns surrounding amalgamation are loss of jobs and loss of access to elected officials. QTC has not been asked to comment on improved capability.

The costs and benefits that Morrison Low has modelled for a possible merger of the six councils are described below:

1   Governance and executive team

The formation of a new entity is likely to result in some efficiencies resulting from a new governance model and rationalisation of the existing executive management teams. For the purposes of this review the governance category includes the costs associated with elected members, Council committees and related democratic services and processes, and the executive team.

The table below summarises the expected efficiencies together with the associated timing for governance.

	Staff	Duplicated Services	Elected Members	On Costs
Transition Period	Nil	Nil	Nil	Nil
Short Term (1 to 3 years)	Streamlined Management (General Managers and Directors) Natural attrition (voluntary)	General Managers, Directors, Mayoral/GM support Council/Committee Secretarial Support	Reduced councillors and remuneration	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management and staff Natural attrition (voluntary)			Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)				

1.1 Governance ($820K)

The formation on a new entity is expected to result in efficiencies resulting from a new governance model and a reduction in the number of existing Mayors and Councillors. However, this will depend directly on the adopted governance structure including the number of councillors. Estimated governance costs for the new entity have been based on the Lord Mayor and Councillor fees and expenses of the City of Sydney as reported in the Annual Report 2014. The Independent Review Panel has envisaged a full time Mayor and there will be higher costs associated with such a role than the current Mayor and Councillors of the inner west receive. It is assumed that there would be 14 Councillors and a Mayor.

The total governance costs across the councils is based on the respective councils Annual Reports 2013/14 and based on the City of Sydney governance costs (Lord Mayoral Annual fee, councillors fees and expenses incurred , there is the potential ongoing efficiency of $1.1 million.

1.2 Executive management ($4.6M)

The formation of a single entity is likely to result in efficiencies due to an overall rationalisation in the total number of executive managers required at the Tier 1 (General Managers) and Tier 2 (Directors). Revised remuneration packages for the new General Manager and Directors for the new entity have been informed and assumed to be similar to that of the City of Sydney executive remuneration packages given the size and scale to that of the proposed new entity.

The General Managers total remuneration for the councils was based on the councils' respective Annual Reports 2013/14, and the amalgamation to a single entity with a single General Manager has the potential saving of approximately $1.4 million.

In addition there would be a rationalisation of the existing director positions, based on the Annual Reports there are 17 such positions across the councils with the combined remuneration based on the Annual Reports 2013/14. Assuming that the new entity has five director positions, the estimated savings are in the order of $3.2 million.

It is important to note that while ongoing efficiencies of $4.6 million have been identified effective from the short term, there is the one off cost of redundancies of approximately $5.7 million that in our experience is a cost incurred during the transition period. This redundancy cost is based on 38 weeks.

1.3 Rationalisation of services

Under a single entity a number of the existing governance services would be duplicated and there would be an opportunity to investigate rationalising resourcing requirements for a single entity and realise efficiencies in the medium term.

As an example the councils currently have the resources necessary to support the democratic services and processes including council and committee agendas and minutes. Under a new entity there is likely to be a duplication of democratic resources and the new entity would need to determine the number of resources required to deliver this service. The expected efficiencies relative to this area are realised in the Corporate Services Section.

Based on our previous experience one would expect resource efficiencies of between 40 and 60%. The reduction in resources is only likely to occur in the medium term due to the form of employment contracts, however having said that there is the potential not to replace positions

vacated in the short term if they are considered to be duplicate positions under the new entity (natural attrition policy). The expected efficiencies relative to this area are realised in the Corporate Services Section.

2   Corporate services

In the formation of a new entity there is likely to be a reduction in staffing numbers across the corporate services in the medium term. The corporate services incorporates most of the organisational and corporate activities such as finance and accounting, human resources, communication, information technology, legal services, procurement, risk management, and records and archive management. Across the councils there is likely to be some element of duplication so there should be efficiency opportunities as it relates to administrative processes and staffing levels.

The potential opportunities for efficiency within the corporate services category are summarised in the table below along with the indicative timing of when the efficiency is likely to materialise.

	Staff	Duplicated Services	Contract/ Procurement	Information Technology	On Costs
Transition Period	Natural attrition (voluntary)	Finance ICT Communications Human Resources Records Customer Services Risk Management			
Short Term (1 to 3 years)	Natural attrition (voluntary)				Staff Associated Costs e.g. HR, Accommodation Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management (Tier 3) Natural attrition (voluntary)				Staff Associated Costs e.g. HR, Accommodation Computers, Vehicles
Long Term (6 years plus)					

2.1   Rationalisation of duplicate services ($9M)

Consistent with the dis-establishment of six councils and the creation of a single entity, there are a number of back office duplicated services that would be replaced, standardised and simplified. The rationalisation and streamlining of back office services means that there would an opportunity to rationalise financial reporting, business systems, administrative processes and staff numbers. Examples for the rationalisation of corporate services include:

- Finance - A reduction in finance service costs with the rationalisation of financial reporting and financial planning with a single, rather than six Resourcing Strategies, Long Term Financial Plans, Asset Management Strategies, Workforce Management Plans , Annual Plans and Annual Reports needing to be prepared, consulted on and printed. In addition the centralisation of rates, accounts receivable, accounts payable and payroll, including finance systems will reduce resourcing requirements and costs.

- Human Resources (HR) – The size of the HR resource would be commensurate with the number of FTEs in the new entity based on industry benchmarks. The number of HR

resources would be expected to reduce proportionately to the reduction in organisational staff numbers.

- Communications – The resourcing would be expected to reduce since there would be a single website and a more integrated approach to communication with less external reporting requirements.
- Customer Services – No reduction in the 'front of house' customer services has been assumed on the basis that all existing customer service centres would remain operative under a single entity and the existing levels of service would be retained. However there is potential to reduce the number of resources in the 'back office' such as the staffing of the call centre.

The potential efficiency in the corporate services category is difficult to determine largely due to the fact that ICT accounts for a large cost through the transition into the new entity both in terms of resources and actual cost. However it is expected that ICT would be implemented in the medium term and due to existing employment contracts, the corporate service efficiencies would therefore only be realised in the medium term. The assumption underpinning the efficiency for corporate services is a 35%[27] reduction in corporate support personnel that has an estimated saving of $5.3 million. On costs are considered to be included as the figure used are based on total employee costs as reported by the councils.

There is the potential to reduce FTE numbers in the short term through not replacing positions vacated if they are considered to be duplicate positions through the transition and under the new entity (natural attrition policy). Following the end of the natural attrition period redundancies would be applied to reduce staffing levels outlined above.

In order to achieve the opportunities identified would require detailed scoping, investigation and ownership to ensure that they are implemented and realised post amalgamation. The development of a benefit realisation plan would quantify the cost of implementing any identified efficiencies and establish when such efficiencies are likely to accrue.

Redundancy costs have been modelled based on an average of 26 weeks[28]

3   Areas for further efficiency

Based on the experience from previous amalgamations in local government there are other areas where we would expect there to be opportunity to achieve efficiencies. These areas include management, staff turnover, procurement, business processes, property/accommodation, waste and works units.

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[27]   Securing Efficiencies from the Reorganisation of Local Governance in Auckland, Taylor Duigan Barry Ltd, October 2010

[28]   The Local Government (State) Award provides a sliding scale for redundancy pay-outs from 0 for less than 1 year, 19 weeks for 5 years and 34 weeks for 10years. An average of 26 weeks has therefore been used throughout.

	Staff	Duplicated Services	Contract/ Procurement	Information Technology	On Costs
Transition Period					
Short Term (1 to 3 years)	Staff Turnover	Property/ Accommodation, Works Units	Printing, stationary, ICT systems/ licences, legal	ICT Benefits	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management (Tier 3 & 4)	ICT Resourcing	Waste	ICT Benefits	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)					

3.1   Management ($3M)

The extent of efficiencies for Tier 3 and Tier 4 is directly dependent on the organisational structure of the new entity, types of services and the manner in which these services are to be delivered in the future, i.e. delivered internally or contracted out.

The Auckland amalgamation resulted in an FTE reduction of almost 60%[2] across the total Tier 1 through to Tier 4 positions. While Section 1 addresses the Tier 1 and Tier 2 efficiencies, there is further opportunity for efficiencies in regard to the Tier 3 and Tier 4 managerial positions although these would only be realised in the medium term.

On the basis that six councils are being disestablished and a single entity created, the assumption is that there will be at least a 30% reduction across the existing Tier 3 and Tier 4 positions achieving an ongoing efficiency of $3M million on remuneration and on costs.

Following the end of the natural attrition period redundancies would be applied to reduce staffing levels outlined above

3.2   Staff Turnover ($6.5M)

While the industry average turnover is approximately 9% and on the basis that the new entity adopts a 'natural attrition' policy not to fill positions in the short term, there is an estimated annual efficiency based on applying a modest 2.5% natural attrition.

3.3   ICT Benefits ($7M)

Without a full investigation into the current state of the six councils ICT infrastructure and systems, and without an understanding of the future state the ICT benefits cannot be quantified at this stage. However benefits would include improved customer experience, operational cost saving and reduced capital expenditure, higher quality of IT service and increased resilience of service provision. It is also necessary to model a value for the benefits to balance the costs that have been allowed for in the transition.

The operational cost savings and reduction of capital expenditure would be as a direct result of rationalising the number of IT systems, business applications, security and end user support from six councils to a single entity. The cost of IT and the number of staff resources required to support it would be expected to decrease over time. FTEs are assumed to reduce by 40%[1] over

time in line with reduced IT applications and systems. Without the ICT FTE remuneration for the six councils, the 40% efficiency is unable to be determined at this time.

Through the work undertaken as part of the Wellington reorganisation, Stimpson and Co have undertaken a sensitivity analysis on the ICT costs for two options and based on an ICT cost of $90 million have estimated the Net Present Value at $200 million and payback period of 5 years. Without a detailed investigation of systems, processes and the future state of the IT system and support it is not considered possible to model the benefits as arising at a similar rate however to retain consistency with the estimated costs and the basis for them benefits have been modelled as arising over the long term and a rate of $10M per annum.
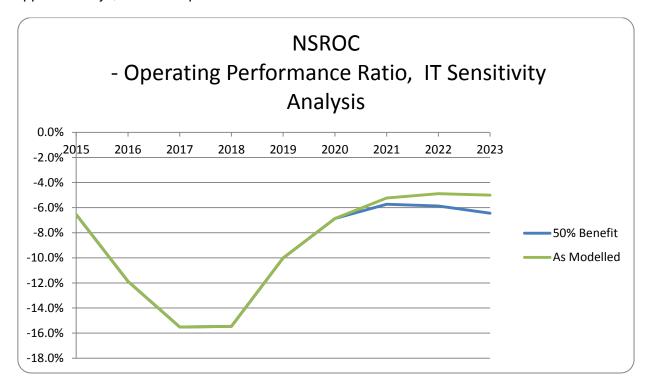
Sensitivity Analysis

Due to the high level of uncertain associated with the realisation of IT benefits one additional scenario has been modelled to demonstrate the overall impact on the financial sustainability of the IT benefits being realised.

The impact on the merged council is set out by reference to the Operating Performance Ratio.

Benefits at 50%

Realising only 50% of the IT benefits affects the merged council's operating performance by approximately $3.5 million per annum from 2021.

NSROC
- Operating Performance Ratio, IT Sensitivity Analysis

3.4 Materials and contracts ($2.5M - $5.1M)

The opportunity for efficiencies in procurement is created through the consolidation of buying power and the ability to formalise and manage supplier relationships more effectively when moving from six councils to one. An estimate needs to take into account that the councils currently engage in some collective procurement including through NSROC and SHOROC shared and panel contracts but that the process also identified a large number of services contracted out by the councils which are not aligned or co-ordinated.

The increased scale and size of the infrastructure networks managed by the merged council would in our view lead to opportunities to reduce operational expenditure through making better strategic decisions (as distinct from savings arising from procurement).

Based on the analysis during the project and our experience the combined savings have been modelled in the short term at 2% and rising to 3% and then 4% over the medium and longer term.

3.5 Properties ($28.4M)

There is an opportunity to rationalise and consolidate the property portfolio through assessing the property needs of the new entity and disposing of those properties no longer required for council purposes. The rationalisation of buildings in the first instance is likely to be corporate accommodation associated with the reduction in staff, other obvious areas would include the work depots (refer to Section 3.7).

The councils have a combined buildings portfolio of over $698M and for the purposes of modelling the merged council it is assumed that the council would dispose of 5% of the building assets in the medium term. In the longer term savings in properties are achievable but should be carried out in a more strategic manner across the combined entity.

3.6 Works units

Staff ($2.6M)

Based on our experience of reviewing a large number of works units across NSW we have found significant savings in all organisations that we have reviewed. As such it is reasonable to assume that a reduction in staff in the order of 20% across the works areas will be easily achieved in the medium term to reflect the duplication of services across the depots. We note the very low number of outdoor staff at Mosman.

Redundancy costs have been modelled in for all works staff based on an average of 26 weeks.

Following the end of the natural attrition period redundancies would be applied to reduce staffing levels to those identified above.

Plant and Fleet ($6M – one off)

Based on our experience of reviewing a large number of works units across NSW, most councils have significantly more plant and equipment than reasonably required to undertake their day to day functions. As such, it is reasonable to assume that a reduction in plant and fleet in the order of 20% would be achievable should there be an amalgamation of councils.

4 Services and Service Levels

Typically merged councils see an increase in staff associated with rises in services and service levels. Research conducted for the Independent Review Panel noted that each of the councils involved in the 2004 NSW mergers had more staff after the merger than the combined councils together[29] and an average over the period of 2002/3 to 2010/11 of 11.7%.

An allowance has been made for a 2% increase in staff from year 4 onwards (i.e. after the period of natural attrition.

5 Transition costs

The formation of the new entity from the current state of the six councils to one will require a transition to ensure that the new entity is able to function on Day 1. This section identifies tasks to be undertaken and estimates transitional costs that are benchmarked against the Auckland Transition Agency (ATA) results and the costs as estimated by Stimpson & Co.[30] for the proposed Wellington reorganisation.

In the transition to an amalgamated entity there are a number of tasks that need to be undertaken to ensure that the new entity is able to function from Day 1 with minimal disruption to customers and staff. The types of tasks and objectives are summarised in the table below:

Governance	- Developing democratic structures (council committees) - Establishing the systems and processes to service and support the democratic structure - Developing the governance procedures and corporate policy and procedures underlying elected member and staff delegations - Developing the organisational structure of the new organisation
Workforce	- Developing the workforce-related change management process including new employment contracts, location and harmonisation of wages - Establishing the Human Resource capacity for the new entity and ensuring all policies, processes and systems are in place for Day 1 - Ensuring that positions required
Finance and Treasury	- Ensuring that the new entity is able to generate the revenue it needs to operate - Ensuring that the new entity is able to satisfy any borrowing requirements - Ensuring the new entity is able to procure goods and services - Developing a methodology for interim rates billing and a strategy for rates harmonisation - Developing a plan for continued statutory and management reporting requirements - Developing a financial framework that complies with legislative requirements
Business Process	- Planning and managing the integration and harmonisation of business processes and systems for Day 1 including customer call centres, financial systems, telephony systems, office infrastructure and software, payroll, consent processing etc. - Developing an initial ICT strategy to support the Day 1 operating environment that includes the identification of those processes and systems that require change

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[29] Assessing processes and outcomes of the 2004 Local Government Boundary Changes in NSW, Jeff Tate Consulting
[30] Report to Local Government Commission on Wellington Reorganisation Transition Costs, Stimpson & Co., 28 November 2014

	• Developing a longer term ICT strategy that provides a roadmap for the future integration and harmonisation of business processes and systems beyond Day 1
Communications	• Ensuring that appropriate communication strategies and processes are in place for the new entity • Developing a communication plan for the transition period that identifies the approach to internal and external communication to ensure that staff and customers are kept informed during the transition period
Legal	• Ensuring any legal risks are identified and managed for the new entity • Ensuring that existing assets, contracts etc. are transferred to the new entity • Ensuring all litigation, claims and liabilities relevant to the new entity are identified and managed
Property and Assets	• Ensuring that all property, assets and facilities are retained by the new entity and are appropriately managed and maintained • Ensuring the ongoing delivery of property related and asset maintenance services are not adversely impacted on by the reorganisation • Facilitating the relocation of staff accommodation requirements as required for Day 1
Planning Services	• Ensuring the new entity is able to meet its statutory planning obligations from Day 1 and beyond • Ensuring that the entity is able to operate efficiently and staff and customers understand the planning environment from Day 1 • Developing a plan to address the statutory planning requirements beyond Day 1
Regulatory Services	• Ensuring that Day 1 regulatory requirements and processes including consenting, licensing and enforcement activities under statute are in place • Ensuring that business as usual is able to continue with minimum impact to customers from Da1 and beyond
Customer Services	• Ensuring no reduction of the customer interaction element – either face to face, by phone, e-mail or in writing from Day 1 and beyond • Ensuring no customer service system failures on Day 1 and beyond • Ensuring that staff and customers are well informed for Day 1 and beyond
Community Services	• Ensuring that the new entity continues to provide community services and facilities • Ensuring that current community service grant and funding recipients have certainty of funding during the short term

Note - This is not an exhaustive list but provides an indication of the type of work that needs to be undertaken during the transition period.

The transition costs are those costs incurred, during the period of transition, to enable the establishment of the new entity and to ensure that it is able to function on Day 1. The estimated transition costs for establishment of a new entity are discussed below.

5.1 Transition body ($11M)

In the case of Auckland, the ATA was established to undertake the transition from nine councils to one entity. In order to undertake the transition the ATA employed staff and contractors and it had other operational costs such as rented accommodation, ICT and communications. The cost of the ATA in 2009 was reported at $36 million and it is important to note that a substantial number of staff were seconded to the ATA from the existing councils to assist with undertaking

the transition tasks. The cost of these secondments and support costs was at the cost of the existing councils and not the ATA.

The work undertaken for the reorganisation of Wellington identified the cost of the transition body as $20.6 million[4] and on the assumption of FTEs to transition body costs for Wellington, the estimated cost of the transition body for the merger is $11 million. This figure may be understated and is dependent on the governance structure adopted and other unknown factors that may influence the cost of the transition body. The cost of staff secondment and support costs from existing councils to the transition body is not included in the cost estimate.

In this case there will be additional costs associated with 'splitting' Ryde including the staff, assets, finances (including investments, debt, liabilities). An allowance of $2M has been made for additional costs over and above the typical transitional costs expects in a merger.

5.2   ICT ($70M)

The costs associated with ICT for the new entity relate to rationalising the six existing councils ICT infrastructure, business applications, security and end user support for the single entity. The full rationalisation of IT systems based on other amalgamation experience will not occur for Day 1 of the new entity and could take anywhere between three to five years to finalise depending on the complexities of the preferred system. However there are some critical aspects for the new entity to function on Day 1 including the ability to make and receive payments, procurement and manage staff so there are ICT costs incurred during the transition.

Estimating the costs for ICT is inherently difficult due to the complexities associated with integrating systems and applications, and not knowing what the new entity may decide on as a future system. With the limited time to undertake this report the ICT costs have thus been based on the proposed Wellington reorganisation. A number of ICT scenarios were explored by Deloitte[31] for Wellington and the WNTA scenario most closely resembles the North Sydney situation has an estimated ICT cost of between $55 million and $80 million. The estimated cost is split between those costs incurred during the transition of $10 to $20 million and the implementation costs post Day 1 of $45 to $60 million that would be the responsibility of the new entity.

Given the complexity of splitting Ryde the IT costs have been assumed to be at the higher end of the scale and at $70 million.

5.3   Business Process (existing Council budget)

As part of ensuring the entity is functional on Day 1 is the requirement to redesign the business processes of the existing councils to one that integrates with the ICT systems. This would include the likes of consents, licensing and forms to replace that of the existing councils. In the case of Auckland these tasks were largely undertaken by staff seconded to the transition body, the cost of which was not identified as it was a cost picked up by the nine existing councils.

5.4   Branding ($2M)

The new entity will require its own branding and as part of this a new logo will need to be designed. Once agreed there will be a need to replace some existing signage of the six councils

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31   Wellington Local Government Reorganisation Options – Transition Costs and Benefits for Technology Changes, Deloitte, September 2014

for Day 1 of the new entity on buildings, facilities and vehicles. In addition it will be necessary to replace the existing website, staff uniforms, letterheads, brochures, forms and other items. The estimated cost for branding is $2M based on other amalgamation experience.

5.5   Redundancy Costs ($5.7M)

This is based on a reduction in from six General Managers to one for a merged council and reduction of senior contracted Staff is based on employment contracts with a redundancy period of 38 weeks, and based on the Councils' respective Annual Reports 2013/14.

5.6   Remuneration Harmonisation ($2.6M)

The remuneration, terms and conditions for staff would need to be reviewed as part of the transition as there is currently a variation in pay rates and conditions across the six councils. In order to estimate the cost of wage parity for moving to a single entity, the average employee costs for similar councils have been compared to that of the combined councils combined as well as between the six councils.

5.7   Elections

There is a possibility of proportional savings in existing council budgets as instead of six separate elections there will be one for the new entity. However the costs of the election are likely to be higher than for future elections as there will need to be additional communication and information provided to voters to inform them of the new arrangements. The costs will also be dependent on the future governance structure, as was the case in the Auckland amalgamation the election costs were more than the budgeted amounts from the previous councils. For the purposes of the transition costs, no additional budget has been allowed for assuming there is sufficient budget in the six councils.

APPENDIX D   FURTHER ASSUMPTIONS

Services and service levels remain the same in the merger unless specifically stated otherwise.

Any costs and benefits (financial, social or otherwise) from an extended governance framework e.g. Community Boards have not been allowed for.

The City of Ryde has been split based on the recommendation of the Independent Review Panel recommendation. No detail was provided by the Panel other than the 'eastern two thirds of Ryde' and a split has been made using logical boundaries conforming to this.

Apportionment of assets, finances and population was then made based on the assumed boundary. The merger include approximately 68% of the population of the existing Ryde Council and 65% of the properties

MorrisonLow

The Communities of
Hunters Hill, Lane Cove, Mosman
North Sydney, Ryde Willoughby

May 2015

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8.   INTRODUCTION

A desktop review of the communities of Hunters Hill, Lane Cove, Mosman, North Sydney, Ryde[32] and Willoughby has been undertaken in order to understand the current demographic composition of the area, the similarities and differences between the council areas, and the interrelationships and communities of interest that currently exist within the area. The key sources of information for the desktop review were ABS Census Data, population, household and dwelling projections prepared by NSW Department of Planning and Environment[33], along with the analysis contained in the *New South Wales Local Government Areas: Similarities and Differences, A report for the Independent Local Government Review Panel* (NIER, March 2013) report[34].

Communities of interest and geographic cohesion are important considerations for any boundary adjustment process under Section 263 of the Local Government Act 1993.   In particular, in the case of a proposal for the amalgamation of two or more areas, there is a need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented (Section 263(e5), Local Government Act 1993).

Communities of interest are more likely to have similar interests and needs from their council, whereas people who do not share a community of interest are more likely to have different needs from their council.

9.   SUMMARY OF KEY SIMILARITIES AND DIFFERENCES

There are a number of similarities and differences between the areas, including:
Demographic
S   All council areas have a higher proportion of residents with a Bachelors or Higher Degree and a higher Year 12 completion rate than for the Greater Sydney Area

S   All six are areas of low socio-economic disadvantage as measured by the SEIFA Index of Deprivation; with all areas ranked amongst the 20 least disadvantaged council areas in New South Wales and Mosman, Lane Cove, North Sydney and Hunters Hill ranked in the 10 least disadvantaged council areas

D   Ryde and Willoughby are more ethnically diverse in comparison to the other areas with just over half of residents born in Australia

Labour Market and Economy
S   All six council areas belong to a cluster of councils characterised by low unemployment, however measured, reasonably high work availability and high average earnings (NIER, March 2013)

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[32]   The whole of Ryde has been included in this report
[33]   http://www.planning.nsw.gov.au/en-au/deliveringhomes/populationandhouseholdprojections/data.aspx
[34]

http://www.localgovernmentreview.nsw.gov.au/documents/lgr/NSW%20Local%20Government%20Areas_%20Similarities%20and%20Differences%20-%20March%202013.pdf

S Residents of all six areas tend to work in professional occupations and to be employed in similar industries; with professional, scientific and technical services the most common industry of employment

S North Sydney, Ryde and Willoughby are areas with high concentrations of businesses and employment relative to Hunters Hill, Lane Cove and Mosman

Urban Environment

D North Sydney has a much higher proportion of high density housing, relative to the other council area; with a greater proportion of renters and more group households

D Hunters Hill has a higher proportion of low density housing, relative to the other council areas

10. POPULATION SUMMARY

10.1 Current Base Information

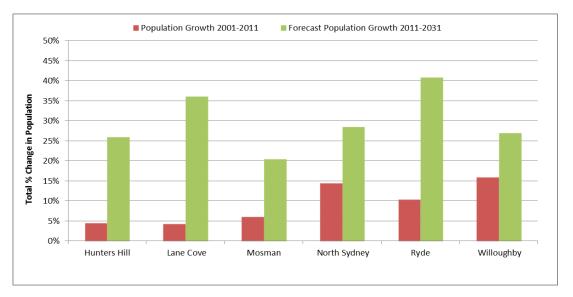|	Population (ERP June 2013)	Number of Households	Land Area (hectares)	Population Density
Hunters Hill	14,491	4635	600	24.15
Lane Cove	33,996	13,280	1,100	30.91
Mossman	29,983	12,896	870	34.46
North Sydney	69,248	34,896	1,090	63.53
Ryde	112,545	41,679	4,065	27.69
Willoughby	73,155	28,019	2,260	32.37
Total	333,418	135,405	9,985	33.39

10.2 Population Growth and Forecasts

Analysis of the census data and the NSW Department of Planning and Environments Population forecasts has been undertaken to identify the future population growth within the area. All six Local Government areas (LGAs) will accommodate a share of the State's growth with an overall population increase of 32.3% or around 104,050 people by 2031, across the whole area.
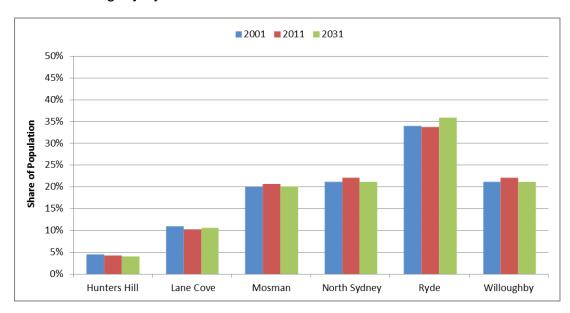
In the 30 year period between 2011 and 2031 Ryde is forecast to experience the highest level of growth at around 41%, followed by Lane Cove with growth of around 36%. North Sydney, Willoughby and Hunters Hill are forecast to experience growth of around 29%, 27% and 26% respectively. Mosman is forecast to grow at a slightly lower rate of around 20% between 2011 and 2031.

Population growth in Lane Cove, Mosman, Ryde and Willoughby is forecast to be the result of a balance of new births and overseas arrivals. Population growth in North Sydney is forecast to be the result of overseas arrivals, while growth in Hunters Hill is forecast to result from a balance of new births and internal migration (NIER, March 2013).
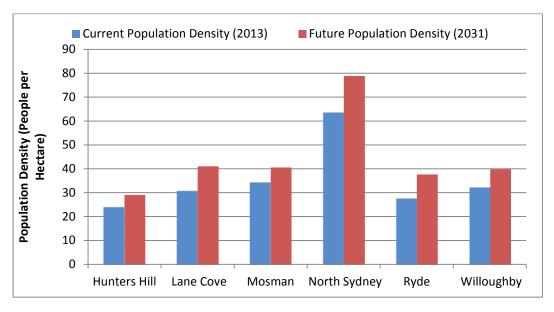
Ryde will continue to have a greater share of the population across the six Councils and this will increase slightly by 2031.
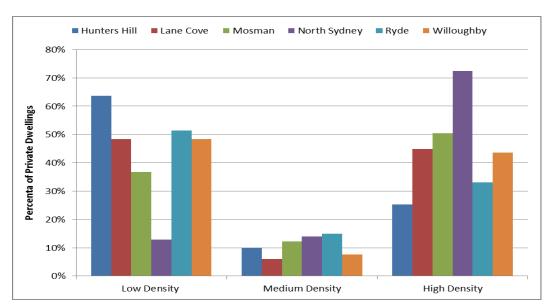
North Sydney has the highest population density at 64 persons per hectare and by 2031 this is expected to be 79 persons per hectare. Population density for Lane Cove, Ryde and Willoughby will increase at a similar rate and is expected to be around 40 persons per hectare by 2031. Hunters Hill will continue to have the lowest population density with around 29 persons per hectare by 2031.
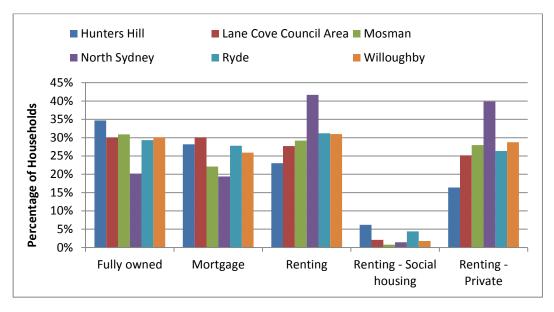
10.3   Dwellings

Hunters Hill has a high proportion of low density housing relative to medium and high density housing. Lane Cove and Willoughby have similar levels of low density and high density housing and relatively little medium density housing. North Sydney has a high proportion of high density housing with almost 75% of housing high density housing.


The majority of households either fully own or own their own home with a mortgage. North Sydney has a higher proportion of renters than the other areas. Hunters Hill has the highest proportion of households who own their home outright. Of those who are renting, the majority rent from a private landlord. Hunters Hill has the highest proportion living in rented social housing (6.2%), followed by Ryde (4.4%).
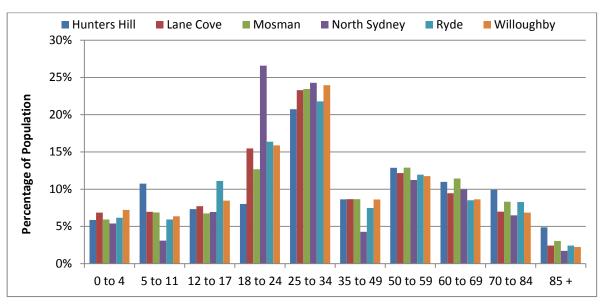
10.4   Age Structure

Different age groups have different service needs and preferences. The age structure of a community provides and insight into the level of demand for aged based services and facilities as well as the key issues on which local government will need to engage with other levels of government in representing their community.

North Sydney has a much
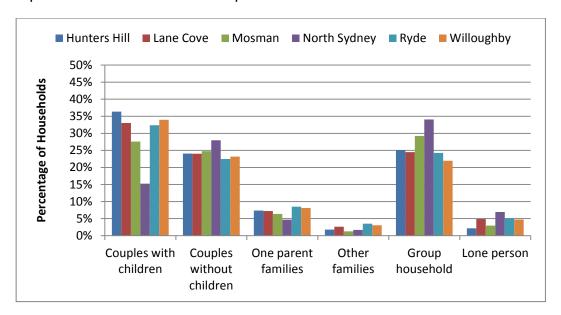
Lane Cove, Mosman and Willoughby belong to a cluster of councils that have average proportions of children and elderly and reasonable retention rates for young adults. Hunters Hill belongs to a cluster of councils which have a very high ratio or older residents; this is evident in the relatively high proportion of residents aged 70 years and over. North Sydney and Ryde belong to a cluster of councils with a low ratio of children to adults of parenting age and a low proportion of elderly (NIER, March 2013). North Sydney has a much higher proportion of residents aged 18 to 24 years of age, relative to the other council areas.

10.5 Household Types

North Sydney has the highest proportion of group households (34%) and Willoughby has the lowest (22%). North Sydney also has the highest proportion of couple without children households (28%); in all of the other council areas between 23% and 25% of all households are couples without children. In Hunters Hill, Lane Cove, Ryde and Willoughby couple with children households are most common. All areas have relatively few lone person households and lone parent families.

11. CULTURE

11.1 Birthplace

The following table shows the proportion of Australian born residents in each of the four areas and the four most common countries of birth, after Australia, for each of the four
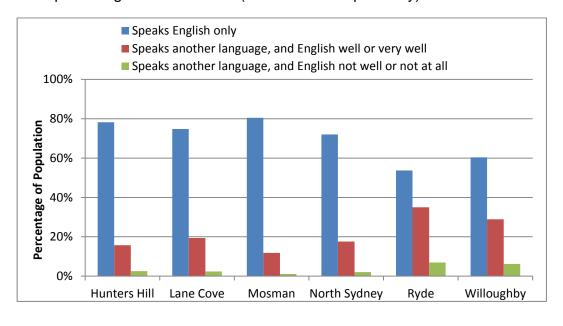
council areas. Ryde and Willoughby have the lowest proportion of Australian born of the six council areas and Hunters Hill has the highest. In Hunters Hill, Lane Cove, Mosman and North Sydney England is the most common country of birth after Australia. In Ryde and Willoughby, China is the most common country of birth after Australia.

	Born in Australia	1	2	3	4
Hunters Hill	72.9%	England (4.6%)	China (2.5%)	New Zealand (1.9%)	Italy (1.3%)
Lane Cove	65.9%	England (5.5%)	China (2.9%)	New Zealand (2.5%)	India (1.9%)
Mosman	65.3%	England (9.8%)	New Zealand (3.4%)	United States of America (2.0%)	South Africa (1.9%)
North Sydney	60.0%	England (7.6%)	New Zealand (3.6%)	China (2.4%)	Japan (1.8%)
Ryde	55.7%	China (10.0%)	Republic of Korea (3.5%)	Hong Kong (2.7%)	India (2.7%)
Willoughby	55.5%	China (7.4%)	England (4.5%)	Republic of South Korea (3.5%)	Hong Kong (3.5%)

11.2   Language

In all areas the majority of the population speak only English at home; in Hunters Hill, Lane Cove, Mosman and North Sydney over 70% speak only English at home. Ryde has the highest proportion of residents who speak both English and another language at home (35%) followed by Willoughby (29%).

Ryde and Willoughby have the highest proportion of people who speak another language and do not speak English well or at all (7% and 6% respectively).
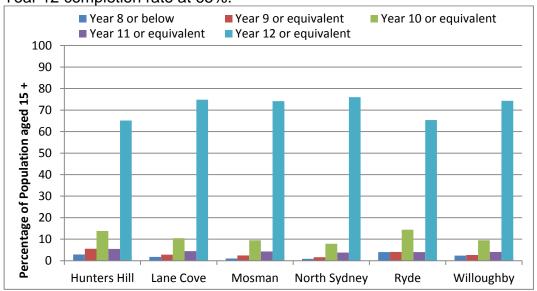
12. EDUCATION

12.1 School Completion

School completion data is a useful indicator of socio-economic status. Combined with educational qualification it allows an assessment of the skill base of the population. The Year 12 completion rate in Hunters Hill, Lane Cove, Mosman, North Sydney, Ryde and Willoughby is higher than for Sydney as a whole (55%). Of the six areas North Sydney has the highest Year 12 completion rate at 76% and Hunters Hill and Ryde have the lowest Year 12 completion rate at 65%.
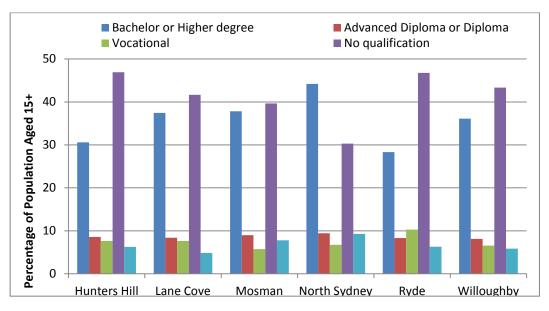
12.2 Post School Qualifications

Post school educational qualifications relate to educational achievement outside primary and secondary school and are an important indicator of socio-economic status.

Hunters Hill, Lane Cove, Mosman, North Sydney, Ryde and Willoughby have a higher proportion of residents with a Bachelors or Higher Degree than for the whole of Greater Sydney (20%).

North Sydney has the highest proportion of residents with a Bachelor or Higher Degree, while Ryde has the lowest proportion of residents with a Bachelor or Higher Degree, of the six council areas. North Sydney (30%) and Mosman (40%) have a lower proportion of residents with no qualifications than Greater Sydney (42%) while Lane Cove has the same proportion of residents with no qualifications as Greater Sydney. Hunters Hill (50%), Ryde (47%) and Willoughby (43%) have a higher proportion of residents with no qualifications than Greater Sydney.
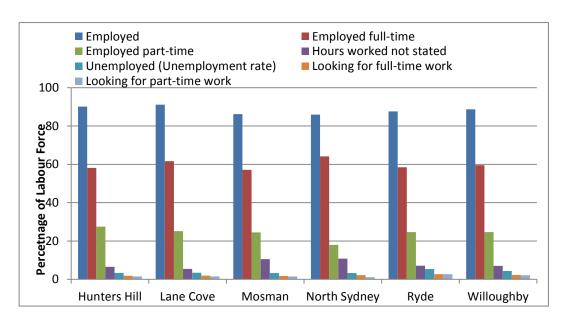
13. LABOUR MARKET

13.1 Employment Status

In all six council areas, over 85% of residents aged 15 years and over are employed, with around 60% in full-time employment. The similarities and differences study found that all six areas belong to clusters of councils characterised by low unemployment, however measured, low social security take up, reasonably high work availability and high average earnings (NIER, March 2013).

13.2 Industries of Employment

The table below shows the most common industries of employment in each of the areas. Professional, Scientific and Technical Services are the most common industries of employment in all six council areas. Health Care and Social Assistance, Financial and
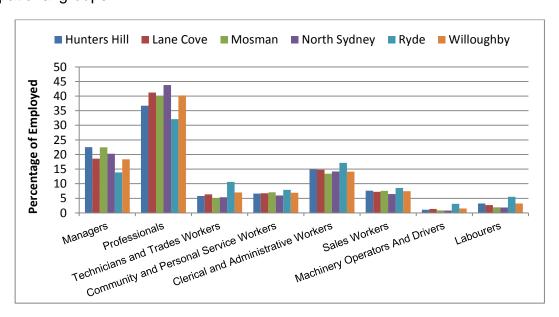
Insurance Services, Education and Training and Retail Trade are also common industries of employment for all areas.

	1	2	3	4	5
Hunters Hill	Professional, Scientific and Technical Services	Health Care and Social Assistance	Financial and Insurance Services	Education and Training	Retail Trade
Lane Cove	Professional, Scientific and Technical Services	Health Care and Social Assistance	Financial and Insurance Services	Education and Training	Retail Trade
Mosman	Professional, Scientific and Technical Services	Financial and Insurance Services	Health Care and Social Assistance	Retail Trade	Education and Training
North Sydney	Professional, Scientific and Technical Services	Financial and Insurance Services	Health Care and Social Assistance	Education and Training	Information Media and Telecommunications
Ryde	Professional, Scientific and Technical Services	Health Care and Social Assistance	Retail Trade	Education and Training	Financial and Insurance Services
Willoughby	Professional, Scientific and Technical Services	Financial and Insurance Services	Health Care and Social Assistance	Retail Trade	Education and Training

13.3 Occupations

In all six council areas the majority of residents work in professional occupations. Managers, followed by clerical and administrative workers are the next most common occupational groups.
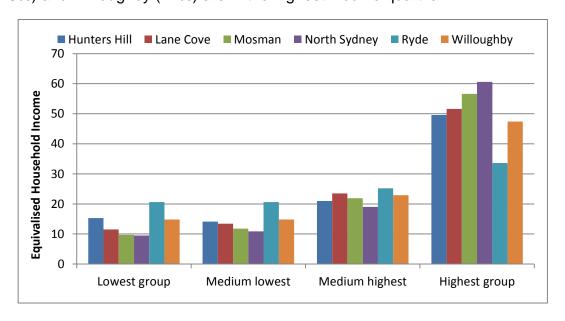
14. HOUSEHOLD INCOME AND WEALTH

Hunters Hill, Mosman and North Sydney belong to a cluster of councils characterised by high income with wages and salary accounting for around half and property accounting for around a third of disposable income (NIER, March 2013). Lane Cove, Ryde and Willoughby belong to a cluster of councils with wages and salary accounting for a high proportion of disposable income and property income accounting for around 25% of disposable income (NIER, March 2013).

14.1 Equivalised Household Income

Equivalised income puts all households on an equal footing independent of household size and composition to enable a true comparison between areas over time. It is an indicator of the income resource available to a household of standard size and is the best measure of the changing economic fortunes of households living in an area.

Ryde has the highest proportion of households in the lowest two income quartiles while North Sydney has the highest proportion of households in the highest income quartile. The majority of households in Lane Cove (52%), Mosman (56%) and North Sydney (47%) are in the highest income quartile. Just below half of all households in Hunters Hill (49%) and Willoughby (47%) are in the highest income quartile.

15. SOCIOECONOMIC DISADVANTAGE

The SEIFA Index of Deprivation measures the relative level of socio-economic disadvantage based on a range of census characteristics. It is a good place to start to get a general view of the relative level of disadvantage of one area compared to others and is used to advocate for an area based on its level of disadvantage.

The index is derived from attributes which reflect disadvantage such as low income, low educational attainment, high unemployment and jobs in relatively unskilled occupations.

Lower scores on the index reflect higher levels of disadvantage, while higher scores indicate greater advantage. The SEIFA index provides a ranking of all 152 NSW council areas, where 1 is the most advantaged.

Mosman is the most advantaged of the six council areas with a rank of 2 in New South Wales. Mosman, Lane Cove, North Sydney and Hunters Hill are all ranked in the top ten least disadvantaged councils in the State.

	SIEFA Rank
Hunters Hill	9
Lane Cove	4
Mosman	2
North Sydney	5
Ryde	20
Willoughby	11

16.   LOCAL ECONOMIC FEATURES

16.1   Gross Regional Product

In overall gross terms North Sydney has the largest total economic output followed by Ryde; Hunters Hill has the smallest total economic output in gross terms. North Sydney also has the highest economic productivity relative to population size. However, on a per capita basis Mosman has the highest economic productivity per worker and Ryde has the highest economic productivity per local business.

Willoughby has the lowest economic productivity per worker while Hunters Hill has the lowest economic productivity relative to population size and the lowest economic productivity relative to the number of local businesses.

Local Govt. Area	GRP 2013/14	GRP per Capita Worker	GRP per Capita Population	GRP per Capita Businesses
	$m	$	$	$
Hunters Hill	756	158,192	52,170	416,759
Lane Cove	3,071	154,159	90,334	725,319
Mosman	1,853	183,975	61,802	460,373
North Sydney	16,138	181,413	233,046	1,115,890
Ryde	14,106	158,070	125,337	1,357,390
Willoughby	9,333	148,757	127,578	826,734

16.2   Size of Workforce

The number of local jobs and the number of businesses in each area is shown in the figure below. Hunters Hill has the lowest number of local jobs and the lowest number of businesses in the area. Ryde has the highest number of local jobs followed by North Sydney while North Sydney has the highest number of businesses in the area followed by Willoughby.

	Local Jobs (2013/14)	Number of Businesses (2012/13)
Hunters Hill	4,779	1,814
Lane Cove	19,921	4,234
Mosman	10,072	4,025
North Sydney	88,957	14,462
Ryde	89,239	10,392
Willoughby	62,740	11,289

17. INTERDEPENDENCE AND ECONOMIC RELATIONSHIPS

As outlined in the similarities and differences report, economic relationships and interdependency between council areas can be mapped by estimating the extent to which employment in each council area depends on economic activity in other council areas. The report concludes that New South Wales is held together by the relationship between each council area and the City of Sydney as a key provider of government and financial services. The City of Sydney also provides, retail, entertainment and other services to the metropolitan area.

17.1 Metro Commuter Clusters

According to the similarities and differences study North Sydney and Mosman belong to the inner ring commuter cluster, where more than 35% of the resident workforce is employed in the City of Sydney. Hunters Hill, Lane Cove, Ryde and Willoughby belong to the middle ring commuter cluster, where around 20<35% of the resident workforce is employed in the City of Sydney (NIER, March 2013).

17.2 Workers' Place of Residence

The most common places of residence for people employed in each of the council areas are shown below. In all four areas the highest proportion of workers also live in the area. Mosman has the highest proportion of workers who also live in the area while Willoughby has the lowest.

For Hunters Hill and Lane Cove, the next highest proportion of workers is drawn from within the Ryde Council area.

	First most common place of residence	**Second** most common place of residence
Hunters Hill	Hunters Hill - 25.5%	Ryde - 18.59%
Lane Cove	Lane Cove - 18.16%	Ryde - 6.85%
Mosman	Mosman - 34.69%	Warringah - 11.95%
North Sydney	North Sydney - 14.76%	City of Sydney - 6.58%
Ryde	Ryde - 19.80%	Hornsby - 8.93%
Willoughby	Willoughby - 17.70%	Ku-ring-gai - 8.75%

17.3 Residents' Place of Work

The table below shows that Sydney City is the common place of work for residents of Hunters Hill, Lane Cove, Mosman, North Sydney and Willoughby. City of Sydney is the second most common place of work for residents of Ryde.

	Top Place of Work	**Second** most common place of work

	Top Place of Work	**Second** most common place of work
Hunters Hill	Sydney - 26.2%	Hunters Hill - 16.7%
Lane Cove	Sydney - 28.51%	Lane Cove - 17.03%
Mosman	Sydney - 36.61%	Mosman - 20.68%
North Sydney	Sydney - 37.64%	North Sydney - 26.14%
Ryde	Ryde - 27.85%	Sydney - 19.63%
Willoughby	Sydney - 29.75%	Willoughby - 26.19%

17.4   Migration Patterns

The following table shows in-migration from other council areas and out-migration to other council areas for each the four areas, between 2006 and 2011. Migration between different council areas provides some level of evidence of connections between adjacent council areas. Migration data shows that there has generally been some population movement between this grouping of councils. However the Similarities and Differences report notes that Ryde has a stronger connection to Parramatta than to the North Shore councils NIER, March 2013); this is supported by the migration data below.

	In-Migration - Highest Net Gains	**Out-migration - Highest Net Losses**
Hunters Hill	1. Ryde 2. Canada Bay 3. Leichhardt	1. Ryde 2. Canada Bay 3. Sydney
Lane Cove	1. North Sydney 2. Willoughby 3. Ku-ring-gai	1. Willoughby 2. Ryde 3. North Sydney
Mosman	1. North Sydney 2. Ku-ring-gai 3. Sydney	1. North Sydney 2. Warringah 3. Manly
North Sydney	1. Ku-ring-gai 2. Willoughby 3. Mosman	1. Willoughby 2. Mosman 3. Sydney
Ryde	1. Parramatta 2. Hornsby 3. Canada Bay	1. Parramatta 2. Hornsby 3. The Hills Shire
Willoughby	1. North Sydney 2. Ku-ring-gai 3. Sydney	1. Ku-ring-gai 2. North Sydney 3. Warringah

18. POLITICAL PARTY COMPOSITION

18.1 Local Government

The composition of each elected council is shown in the table below.

	Liberal	Labour	Greens	Independent	Unaligned	Serving Mosman	Residents for Mosman
Hunters Hill				6	1		
Lane Cove	6			3			
Mosman				5		1	1
North Sydney				13			
Ryde	6	3		3			
Willoughby			1	12			

18.2 State and Federal Government

	State		Federal	
	Electoral District/s	**Party**	**Electoral District/s**	**Party**
Hunters Hill	Lane Cove	Liberal	North Sydney	Liberal
Lane Cove	Lane Cove, North Shore	Liberal, Liberal	North Sydney	Liberal
Mosman	North Shore	Liberal	Warringah	Liberal
North Sydney	North Shore, Willoughby	Liberal, Liberal	North Sydney, Warringah	Liberal, Liberal
Ryde	Ryde, Lane Cove	Liberal, Liberal	Bennelong	Liberal
Willoughby	Willoughby, North Sydney	Liberal, Liberal	North Sydney	Liberal

19. COMMUNITIES OF INTEREST OF THE NORTH SHORE COUNCIL AREAS

In addition to understanding the demographic similarities and differences within the North Shore Council areas, a high level review of features of communities of interest was undertaken in consultation with relevant staff from the councils as a way of supplementing the demographic data.

The framework for communities of interest was taken from the *The Concept of Community of Interest*[35] discussion paper prepared for the SA Department of Local Government in 1989. This defines a community of interest as:

"A group of people in a residential locality having one or more of the following three dimensions:

4. *Perceptual – sense of belonging to an areas or locality which can be clearly defined*
5. *Functional - the ability to meet with reasonable economy the community's requirements for comprehensive physical and human services*
6. *Political – the ability of the elected body to represent the interests and reconcile the conflicts of its members"*

Each of these dimensions was explored in respect of the North Shore communities with a view to identifying similarities and differences between communities of interest across the region.

The notes from the workshop follow, however the following general observations are made:

- Given their boundaries (main arterial roads and foreshore) Hunters Hill and Lane Cove appear to be quite contained communities with strong village identities
- Mosman is also bounded on three sides by harbour however as it contains the main thoroughfare between the city and the Northern Beaches it has a physical divide and a "strip" rather than village nature
- Ryde has a highly multicultural community and this creates identity and communities of interest around culture which is not reported as evident to the same extent in the other LGAs
- All areas report that communities tend to identify around centres or suburbs rather than Local Government boundaries
- All the communities tend to become united around issues which are similar across the areas, namely traffic, parking and development
- There are border crossings between many of the areas for education, retail, medical and employment, with all areas having significant attractors for outside visitation
- There are many examples of regional collaboration between various councils in this group. It is noted that Ryde and Hunters Hill share some particularly interesting relationships and service arrangements including provision of library services by Ryde to Hunters Hill and funding of a skate park

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[35] http://www.dlg.nsw.gov.au/DLG/DLGHome/documents/CommissionsTribunals/bconcept.pdf

- There are emerging communities of interest in different LGAs associated with new developments
- There are differences in council political structures and arrangements particularly around use of committees, public involvement with council meetings, approach to development assessment and political party composition

19.1 Perceptual Dimension

- Lane Cove Council residents identify with a strong "village" feel, with Mosman residents associating quite locally as well
- Hunters Hill was reported to not be quite as geographically based, often unsure of where local government boundaries lie
- All councils reported a general trend for residents to associate with "centres" rather than LGAs
- Ryde reported that due to its size its population is generally more spread and not concentrated around localities as much as the other areas
- The more multicultural nature of Ryde sees communities of interest based on cultural groupings
- There are a number of emerging communities of interest that will become increasingly significant over time, including St Leonards in the Lane Cove LGA, as well as Macquarie Park and two Urban Activation Precincts in Ryde
- The impact of transit LGAs was noted, with some areas having major thoroughfares which see large numbers of people passing through, and in some case creating a physical divide within their community. This was noted in Mosman as a key transit route for the Northern Beaches to the City, with Lane Cove having a stronger sense of "my space" from not being impacted by transit routes
- The split of suburbs between LGAs means that communities of interest are spread across local government boundaries
- It was noted that residents are often united around specific interests, which in many cases are very similar. Traffic, parking and urban density are key issues for residents across the LGAs. There are also concerns about loss of representation in amalgamation, and loss of localised decision making, such as on issues of development
- Ryde reported that their community is relatively well informed over planning and development issues, and are quite mobilised on issues of concern, with trees and environment being priorities
- Mosman reported a highly transient population of business workers in high-end rental properties which are hard to connect with, and who generally find their connections through their work rather than specific communities of interest within their LGA
- The following specific communities of interest were noted by the councils:
  - Lane Cove has a strong focus on bushcare and conservation, reporting a strong community of interest around bush. It was also noted that there were an increasing number of young families as well as large proportions of older people, which has created some conflict around use of public space as well

as the need to overcome generational divide and isolation. Lane Cove Council has sought to build community identity and belonging through their "Love Where You Live" (work, play, swim) campaign

- Mosman reported heritage and sporting clubs as issues and interests around which their community clusters. It was also noted that perceptions around wealth and exclusivity seem to create a community of interest however this is to the exclusion of many residents. The issue of social isolation amongst older residents was also noted. The development of their art gallery has seen an increase the development of arts and culture within that community

- Ryde reported communities of interest around anti-development issues. There is also a strong multicultural presence and identity in Ryde, as well as a focus on cultural festivals. This was in contrast to Lane Cove where there is a high proportion of residents from different cultural backgrounds but don't seem to cluster or have a strong cultural community feel, with groups less defined than Ryde. Ryde also has a strong focus on combating racism and is also a refugee welcome zone

- Hunters Hill also reported issues around perceptions of wealth and exclusivity, which has created something of a "us and them" feeling to the exclusion of residents such as those in public housing

- A number of the councils reported the existence of marginalised and disadvantaged communities, particularly those clustered through public housing. There are some clusters of communities with mental health issues, as well as frail aged people. The concern was about the lack of transportation and isolation in these communities, and lack of integration with other communities of interest in the LGAs

19.2 Functional Dimension

- Mosman reported that there is a peninsula effect in their LGA, with bounded on three sides by the harbour, with Military Road a physical divider in the area. Hunters Hills is also a peninsula LGA, with a bus service that is meant to meet the ferry but often doesn't

- There is also little point to point transport in Mosman, although a good community bus. It contains a number of destination points for external visitors, but there is not a lot of community space

- The boundaries of Lane Cove LGA are the main arterial roads and the river and harbour, with the village centre concentrating services and facilities. Most services are reported to run from this hub, with no other 'satellite' hubs in other parts of the LGA

- There are no public high schools in Lane Cove which means that this part of the community needs to leave to access school, and many people leave the area to work in the city. Bus services are reportedly poor, and transport down to the river has decreased

- Ryde is reported to have good public transport however hubs have evolved that don't really reflect transport systems so some areas that should be connecting aren't

- Mosman is not a hub in the same way as other areas, more of a strip, with a lack of community space
- Whilst each LGA has a number of facilities or localities that draw cross-boundary use, the following key facilities are noted:
    - Macquarie Park and Macquarie University in Ryde LGA
    - Taronga Zoo and Balmoral in Mosman
    - With the exception of Ryde, all LGAs host New Year's Eve events
    - Hunters Hill has 4 high schools and Mosman 2 (where Lane Cove has none)
    - St Leonards contains a medical hub complementing Royal North Shore Hospital, office and commercial space and light industry
    - Macquarie Park and Top Ryde Shopping Centre are major retail hubs in the Ryde LGA
    - There are two Urban Activation Precincts in the Ryde LGA
- There are numerous examples of regional collaboration across a range of services and functions, including:
    - Shared library services Shorelink, and Hunters Hill and Ryde share library
    - Ryde contributed to the development of a skate park in Hunters Hill
    - Catchment management services shared between Hunters Hill and Ryde
    - Community Visitor Scheme for the Lower North Shore
    - Joint road safety campaigns
    - NSROC – regional waste and sportsgrounds
    - SHOROC – road safety awareness and campaigns, waste, contracts
    - DV Network, Child and Family, Youth, Multicultural Interagencies ADS networks
    - Children's Services shared facilities and joint initiatives
    - Guringai Festival
- It was noted that there is a general preference within communities for particular services or facilities to be housed within the local area

19.3   Political Dimension

- There is political variation across the LGAs with some popularly elected mayors, some mostly independent councils and others party-based
- Some councils have a committee structure and others not, with Lane Cove and Mosman both having an IHAP, whereas development issues are highly contentious for the other councils
- It was noted that many people don't necessarily know where the boundaries are The following features of information distribution were reported by the councils:
    - Mosman is an active distributor of information to their community through of mailouts and e-newsletters, and has a strong social media and online presence. In addition, the Mosman Daily newspaper is a concentrated local news source to Mosman and North Sydney
    - Ryde has recently undertaken a market segmentation survey and the community indicated that it wants to be informed and engaged. Council still needs to use paper-based information methods even though social media

and online is becoming increasingly taken up by the community. Local news coverage is more dispersed than in Mosman, with local papers including the Weekly Times and North Shore Times and the Northern District Times

- Hunters Hill distributes a quarterly newsletter and reports strong informal political networks with significant access to councillors given the small size of the council area and high levels of representation. Hunters Hill also have the Northern District and Weekly Times as local newspapers, as well as the Village Observer (shared with Lane Cove)

- Lane Cove Council does not currently utilise social media however there is an "In the Cove" e-newsletter distributed which has a 35% open rate. A number of groups within the community have a social media presence such as Youth and Bushcare. Council also distributes a senior's newsletter. Local news distribution occurs through the North Shore Times and the Village Observer which is concentrated to Lane Cove and Hunters Hill. It was reported that the Lane Cove community is concerned about consultation and engagement and how genuine it is, and Council has identified the need to inform the community

- In terms of local representation, a couple of points were noted:

- Ryde reported a shift in representation with increasing numbers of younger councillors, female councillors and with a greater ethnic mix represented. The community is generally quite satisfied with their councillors

- Mosman has typically had a greater representation from women councillors until the last election

- Lane Cove reported that their councillors are highly active within the community which is quite reflective of the village feel of the LGA

APPENDIX F PLANNING CONTROLS AROUND NATURAL ENVIRONMENT, BUILT HERITAGE AND APPROACH TO GROWTH AND DEVELOPMENT

The following is based on overarching aims of applicable planning instruments as an indication of:

- protection of the natural environment

- protection of the built environment and built heritage

- general approach to growth and development

	Natural	Built	Approach to Growth
Mosman	**Emphasis on natural environment** The particular aims of the LEP which relate to the protection of the natural environment are to: - recognise, protect and enhance the natural, visual, environmental and heritage qualities of the scenic areas of Mosman and Sydney Harbour and to protect significant views to and from the Harbour - protect, conserve and enhance the landform and vegetation, especially foreshores or bushland, in order to maintain the landscape amenity of Mosman - provide housing opportunities appropriate to environmental constraints while maintaining the existing residential amenity	**Emphasis on built heritage** The particular aim of the LEP which relates to the protection of built heritage is to: - to protect and conserve the natural, built and Aboriginal cultural heritage of Mosman	**Emphasis on accommodating growth** The particular aims of the LEP which relate to accommodating growth are to: - provide diverse housing choices and opportunities to cater for changing demographics and population needs - provide business opportunities for a range of uses, including residential, which encourage local employment and economic growth

	Natural	Built	Approach to Growth
North Sydney	**Emphasis on natural environment** The particular aims of the LEP which relate to the protection of the natural environment are to: • maintain and protect natural landscapes, topographic features and existing ground levels • identify and protect the natural, archaeological and built heritage of North Sydney and ensure that development does not adversely affect its significance • minimise stormwater run-off and its adverse effects and improve the quality of local waterways • maintain waterfront activities and ensure that those activities do not adversely affect local amenity and environmental quality	**Emphasis on built heritage** The particular aims of the LEP which relates to the protection of built heritage are to: • identify and protect the natural, archaeological and built heritage of North Sydney and ensure that development does not adversely affect its significance • ensure that new development is compatible with the desired future character of an area in terms of bulk, scale and appearance • maintain a diversity of activities while protecting residential accommodation and local amenity • ensure that new development on foreshore land does not adversely affect the visual qualities of that foreshore land when viewed from Sydney Harbour and its tributaries	**Emphasis on accommodating growth** The particular aims of the LEP which relate to accommodating growth are to: • maintain and provide for an increase in dwelling stock, where appropriate • provide for the growth of a permanent resident population and encourage the provision of a full range of housing, including affordable housing
Lane Cove	**Emphasis on natural environment** The particular aims of the LEP which relate to the protection of the natural environment are to: • preserve and, where appropriate, improve the existing character, amenity and environmental quality of the land to which this Plan applies in accordance with the indicated expectations of the community • protect and, where possible, restore all bushland areas, including all rare and threatened species and communities	**Emphasis on built heritage** The particular aim of the LEP which relates to the protection of built heritage is to: • conserve heritage items • control all new buildings to ensure their compatibility with surrounding existing built form and natural environmental character • provide a housing mix and density that is compatible with the existing environmental character of the locality and has a sympathetic and harmonious relationship with adjoining development	**Emphasis on accommodating growth** The particular aims of the LEP which relate to accommodating growth are to: • provide a housing mix and density that accords with urban consolidation principles • in relation to economic activities, to provide a hierarchy of retail, commercial and industrial activities that enables the employment capacity targets of the Metropolitan Strategy to be met, provides employment diversity and is compatible with local amenity, including the protection of the existing village atmosphere of the Lane Cove Town Centre

	Natural	Built	Approach to Growth
	• protect and, where possible, restore all riparian land along, and the inter-tidal zones and foreshores of, the Lane Cove River and Sydney Harbour and their tributary creeks • protect, maintain and effectively manage public and privately-owned watercourses and areas of riparian land, foreshores and bushland and, where possible, restore them to as close a state to natural as possible • ensure that development does not adversely affect the water quality or ecological systems of riparian land or other areas of natural environment • control all new buildings to ensure their compatibility with surrounding existing built form and natural environmental character		
Ryde	**Emphasis on natural environment** The particular aims of the LEP which relate to the protection of the natural environment are to: • provide opportunities for a range of housing types that are consistent with adjoining development and the existing environmental character of the locality • identify, conserve and promote Ryde's natural and cultural heritage as the framework for its identity, prosperity, liveability and social development • protect and enhance the natural	**Emphasis on built heritage** The particular aims of the LEP which relate to the protection of built heritage are: • provide opportunities for a range of housing types that are consistent with adjoining development and the existing environmental character of the locality • identify, conserve and promote Ryde's natural and cultural heritage as the framework for its identity, prosperity, liveability and social development	**Emphasis on accommodating growth** The particular aims of the LEP which relate to accommodating growth are to: • in relation to economic activities, to provide a hierarchy of retail, commercial and industrial activities that enable employment capacity targets to be met, provide employment diversity and are compatible with local amenity • encourage a range of development, including housing, employment and recreation, that will accommodate the needs of the existing and future residents of Ryde

	Natural	Built	Approach to Growth
	environment, including areas of remnant bushland in Ryde, by incorporating principles of ecologically sustainable development into land use controls • preserve and improve the existing character, amenity and environmental quality of the land to which this Plan applies		
Willoughby	**Emphasis on natural environment** The particular aims of the LEP which relate to the protection of the natural environment are to: • conserve and enhance, for current and future generations, the ecological integrity, environmental heritage and environmental significance of Willoughby • promote an appropriate balance between development and management of the environment, that will be ecologically sustainable, socially equitable and economically viable • identify, protect and enhance environmentally sensitive areas such as native vegetation and fauna, foreshore areas, open space and areas of high scenic landscape value • allow development at a scale that is sensitive to environmental constraints • control and manage any adverse environmental impacts of development • conserve items of environmental and cultural heritage and to retain the character of heritage conservation areas	**Emphasis on built heritage** The particular aims of the LEP which relate to the protection of built heritage are to: • promote development that is designed and constructed to enhance or integrate into the natural landform and the existing character of distinctive locations, neighbourhoods and streetscapes and contributes to the desired future character of the locality concerned • conserve items of environmental and cultural heritage and to retain the character of heritage conservation areas	**Emphasis on accommodating growth** The particular aims of the LEP which relate to accommodating growth are to: • provide opportunities for a range of housing choice in Willoughby to cater for changing population needs in accessible locations

	Natural	Built	Approach to Growth
	• preserve, enhance or reinforce specific areas of high visual quality, ridgelines and landmark locations, including significant gateways, views and vistas		
Hunters Hill	**Emphasis on natural environment** The particular aims of the LEP which relate to the protection of the natural environment are to: • to maintain and enhance biodiversity values by conserving natural features and scenic qualities that distinguish the municipality • to maintain a network of open spaces that conserve natural and scenic qualities, as well as providing a variety of active and passive recreation opportunities for residents of the municipality and surrounding areas	**Emphasis on built heritage** The particular aims of the LEP which relate to the protection of built heritage are to: • maintain and enhance the character and identity of established neighbourhoods in Hunters Hill by regulating the use and development of land • to conserve Aboriginal heritage and European heritage that influence the character and identity of the municipality	**Emphasis on accommodating growth** The particular aims of the LEP which relate to accommodating growth are: • accommodate a range of housing that will maintain the garden suburb character of the municipality, while responding to the needs of a growing population and changing demographics • consolidate housing growth in locations that are well-serviced by shops, transport and community services

APPENDIX G   COMPARISON OF COMMUNITY STRATEGIC PLANS OF THE SIX COUNCILS

Council	Vision	Broader Themes
Mosman	• Proud to be Mosman • Protecting our Heritage • Planning our Future • Involving our Community	• Social - Community Wellbeing, Library and Information, Arts and Culture • Environment - Built Environment, Community Spaces, Healthy Environment, Traffic and Transport • Economic - Local Economy • Governance - Leadership and Engagement, Governance and Risk
North Sydney	• Shaping a progressive, diverse and vibrant North Sydney community.	• Our Living Environment • Our Built Environment • Our Economic Vitality • Our Social Vitality • Our Civic Leadership
Lane Cove	• Lane Cove for a better quality of life.	• Our Society • Our Built Environment • Our Natural Environment • Our Culture • Our Local Economy • Our Council
Ryde	• The place to be for lifestyle and opportunity @ your doorstep.	• City of Liveable Neighbourhoods; • City of Wellbeing; • City of Prosperity; • City of Environmental Sensitivity; • City of Connections; • City of Harmony and Culture; • City of Progressive Leadership.
Willoughby	• Willoughby: the vital hub of the region, where residential, cultural, economic and environmental interests are respected and balanced, and our communities enjoy a diversity of lifestyles.	• Community and Cultural Life • Natural Environment • Homes • Infrastructure • Economic Activity • Governance
Hunters Hill	In 2030……… • Hunters Hill is renowned for its well preserved heritage buildings, sandstone walls, magnificent tree canopy and bushland..... • Architectural excellence is evident throughout Hunters Hill • There is a strong sense of community • Our Aboriginal heritage and cultural diversity are reflected in a vibrant cultural scene and harmonious community	• Our heritage & built environment • Our community & lifestyle • Our Environment • Moving around • Our Council

Council	Vision	Broader Themes
	• The broad needs of the community are provided through a range of facilities, services, and events; • Gladesville is the focal point of commerce and our thriving village centres are warm and welcoming....; • Residents and visitors can get where they want to go easily via an integrated public transport system that is cost effective, comfortable, convenient and accessible; • We have upgraded our infrastructure, public facilities, urban spaces and sea walls by taking up opportunities to provide more diverse sources of income; • Hunters Hill has become a jewel in the World's greatest city, Sydney. *NOTE – Hunters Hill Council has developed a long and detailed Vision. The above points are example statements extracted to indicate the style and content of the Vision as a whole.*	

Commentary

The visions and expressed by these six councils vary greatly from a simple eight word sentence in the case of Ryde Council, to Hunters Hill's full page of text. Despite this difference, all of these councils express very similar priorities and desired outcomes in their Community Strategic Plan.

All plans express clear council-focused priorities around themes such as environment, economy, community and leadership. Whilst some have developed their primary thematic headings as neutral statements, others are based on value statements, using these headings to describe desired outcomes.

On the whole however, these six plans denote a group of councils with very similar community priorities and long term goals.