



Agenda

Extraordinary Council Meeting

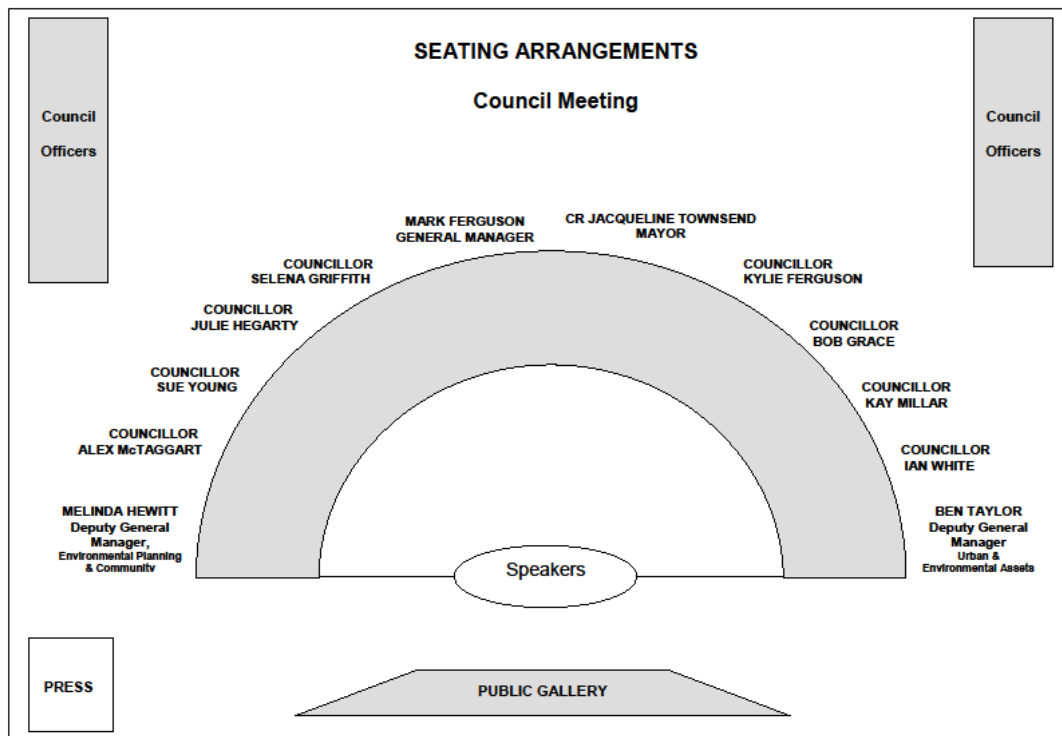
Notice is hereby given that an Extraordinary Council Meeting of Pittwater Council will be held at Mona Vale Memorial Hall on

11 January 2016

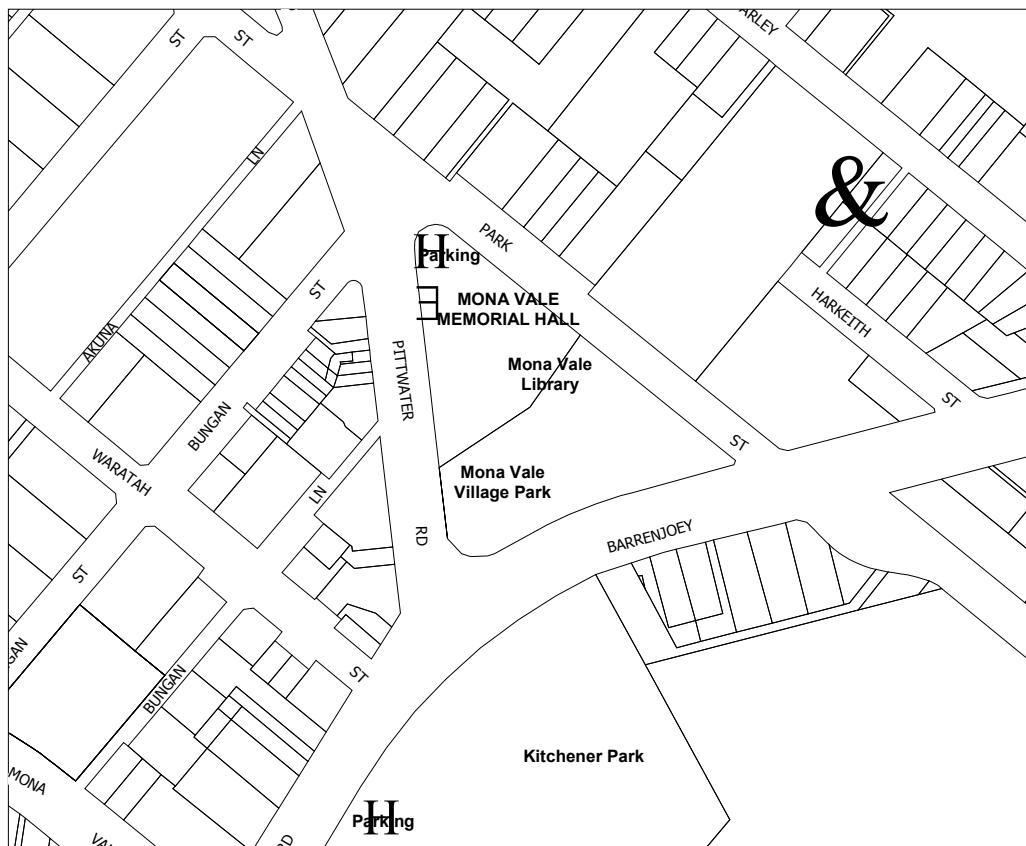
Commencing at 6.00pm for the purpose of considering the items included on the Agenda.

Mark Ferguson
GENERAL MANAGER

Seating Arrangements



Meeting Location



All Pittwater Council's Agenda and Minutes are available on the Pittwater website at www.pittwater.nsw.gov.au

Acknowledgement of Country

**Pittwater Council honours and respects the spirits of the
Guringai people.**

**Council acknowledges their traditional custodianship of
the Pittwater area.**

Statement of Respect

**Pittwater Council promotes and strives to achieve a climate of respect
for all and endeavours to inspire in our community shared civic pride by
valuing and protecting our unique environment, both natural and built,
for current and future generations.**

**We, the elected members and staff of Pittwater Council, undertake to
act with honesty and integrity, to conduct ourselves in a way that
engenders trust and confidence in the decisions we make on behalf
of the Pittwater Community.**

Council Meeting

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**The Senior Management Team
has approved the inclusion of
all reports in this agenda.**

Extraordinary Council Meeting

1.0 Apologies

Apologies must be received and accepted from absent Members and leave of absence from the Extraordinary Council Meeting must be granted.

2.0 Declarations of Pecuniary and Conflict of Interest including any Political Donations and Gifts

Councillors are advised of the following definitions of a "pecuniary" or "conflict" of interest for their assistance:

- * Section 442 of the Local Government Act, 1993 states that a "pecuniary" interest is as follows:

- "(1) [Pecuniary interest] A Pecuniary interest is an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person or another person with whom the person is associated.*
- (2) [Remoteness] A person does not have a pecuniary interest in a matter if the interest is so remote or insignificant that it could not reasonably be regarded as likely to influence any decision the person might make in relation to the matter."*

Councillors should reference the Local Government Act, 1993 for detailed provisions relating to pecuniary interests.

- * Council's Code of Conduct states that a "conflict of interest" exists when you could be influenced, or a reasonable person would perceive that you could be influenced by a personal interest when carrying out your public duty.

Councillors are also reminded of their responsibility to declare any Political donation or Gift in relation to the Local Government & Planning Legislation Amendment (Political Donations) Act 2008.

- * A reportable political donation is a donation of:
- \$1,000 or more made to or for the benefit of the party, elected member, group or candidate; or
 - \$1,000 or more made by a major political donor to or for the benefit of a party, elected member, group or candidate, or made to the major political donor; or
 - Less than \$1,000 if the aggregated total of the donations made by the entity or person to the same party, elected member, group, candidate or person within the same financial year (ending 30 June) is \$1,000 or more.

| | |
|------------|---------------------------------|
| 3.0 | Council Meeting Business |
|------------|---------------------------------|

| | |
|-------------|---|
| C3.1 | Report from the General Manager - Council Merger Proposal - Pittwater Council & Warringah Council (part) |
|-------------|---|

Meeting: Council

Date: 11 January 2016

COMMUNITY STRATEGIC PLAN STRATEGY: Corporate Management

COMMUNITY STRATEGIC PLAN OBJECTIVE: To ensure local democratic representation

DELIVERY PROGRAM ACTION: To ensure Council's financial sustainability
To ensure local democratic representation

1.0 EXECUTIVE SUMMARY

On Wednesday 6 January 2016, the Minister for Local Government referred a merger proposal relating to Pittwater Council and part of Warringah Council to the Chief Executive of the Office of Local Government (OLG) for review and report under the Local Government Act 1993. This has therefore formally commenced the 'proposal period' for councils identified for a potential merger.

The NSW Government's proposal is for Pittwater to merge with part of Warringah Council to form an expanded council. There are 35 merger proposals in NSW.

The Chief Executive of OLG has delegated the function of examining the proposals put forward to eighteen Delegates, each being assigned two proposals (with the exception of one Delegate examining one proposal).

The delegate for the proposal related to Pittwater Council and Warringah Council (part) is Mr Richard Pearson who has been tasked with the function of examining and reporting on the merger proposal to the Boundaries Commission for comment which will then be referred to the Minister for Local Government for a final determination. The Minister will then proceed as recommended, apply minor changes or reject the proposal.

The Delegate will undertake a public inquiry which will include a public meeting and written submissions on the aspects of the proposal primarily related to Section 263(3) of the Local Government Act outlining matters referred to the Boundaries Commission (further outlined in section 4.3). Submissions can be made until 5pm, Sunday 28 February 2016 and the date of the public meeting is yet to be determined.

The General Managers of merging councils were briefed on Thursday 7 January 2016 at the Department of Premier and Cabinet. The likely timeframe outlined was for the new councils (if agreed by Minister) to be proclaimed mid-2016. It is likely the September Council elections will be deferred to March 2017. During this interim period the governance of the new council would be by either the appointment of some or all of the existing councillors forming an interim council or an administrator. The option will depend upon the attitude of the respective councils during the process leading up to the councils formation.

2.0 RECOMMENDATION

- 1. *That Council note the NSW Government's the merger proposal to expand Pittwater's boundary to include part of Warringah Council.***
 - 2. *That it be noted that the formal merger proposal period has commenced on 6 January 2016 and that Mr Richard Pearson has been delegated responsibility for examining and reporting on the proposal.***
 - 3. *That Council note the Departmental Guidelines for decision making during the merger proposal period are in effect.***
 - 4. *That Council note the merger proposal has been distributed to Pittwater community representatives via email and website.***
-

3.0 BACKGROUND

3.1 PURPOSE

The purpose of this report is to provide Council with the information released by the NSW Government on 6 January 2016 regarding council merger proposals and boundary review.

3.2 BACKGROUND

This Local Government structural reform process has been active for over three years. During this time Council has actively participated through the preparation of evidence based submissions to strongly argue Council's and the community's position with respect to the future Local Government structure for this area. The Council has also actively engaged its community through several channels to inform the community and seek opinions on the options going forward.

During the Council's engagement and data gathering a 2 council model was promulgated and canvassed with the community. Based on the recent figures it yielded an estimated Net Present Value Benefit of \$49 million over 20 years.

The community when canvassed on options overwhelmingly preferred to retain the status quo (88%) on the existing boundaries. There was however equally strong support for a Greater Pittwater (89%) as a second preference. A strong majority (80%) are opposed to the one council model for the Northern Beaches.

Following the release of the IPART report the NSW Government asked councils to consider submitting merger preferences by 18 November 2015. At its meeting on 16 November 2015, Council resolved to submit the following merger preferences:

- 1. *That Pittwater Council reaffirms its opposition to forced amalgamation of Councils in New South Wales.***
- 2. *That Pittwater Council reaffirms its commitment to local government remaining local to ensure local democracy.***

3. *That whilst Pittwater Council's position is the status quo with an independent Pittwater Council providing local representation and delivery of local services to the people of Pittwater on its current boundaries, Council provide the following merger preferences if forced:*
- (a) *Preference One - Pittwater Council*
 - (b) *Preference Two - Warringah Council*
(Explanation: Redefining Pittwater Council and achieving two Councils on the Northern Beaches.)
 - (c) *Preference Three - Warringah Council*
(Explanation: Redefining Pittwater Council and achieving two Councils in the SHOROC region.)
 - (d) *Complete the box for Comments on Preferences as follows:*
Preference 1 - Pittwater Council status quo.
Preference 2 - 3 Councils into 2, relocating Pittwater's boundary including: Terrey Hills, Narrabeen, Collaroy, Collaroy Plateau, Cromer, Oxford Falls, Frenchs Forest, Duffys Forest, Belrose, Davidson. Warringah's remaining suburbs merge with Manly.
Preference 3 - on same basis as preference 2 merging 4 SHOROC Councils into 2 Councils by adding Mosman.
4. *That Council provide the feedback as outlined in Attachment 1 in relation to IPART's assessment of Council's Fit for the Future submission.*
5. *That a copy of this resolution and report be sent to the following:*
- *Premier of NSW, Hon Mike Baird*
 - *Local Member, Hon Rob Stokes MP*
 - *Minister for Local Government, Hon Paul Toole*

In consideration of Pittwater's merger preference, the NSW Government announced on 18 December 2015 that a proposal will be prepared and submitted for preference three being the merger of the four SHOROC councils into two.

On Monday 21 December 2015, Council resolved the following:

1. *That Council note that the NSW Government is proposing that Pittwater Council be merged with part of Warringah Council and that this proposal is consistent with Council's third merger preference if forced, subject to the additional suburbs of Forestville and Killarney Heights.*
2. *That it be noted that the formal forced merger proposal period will commence in January 2016 and that Council will participate in the process and that a report will be brought back to Council at its next meeting.*
3. *That Council note the Departmental Guidelines for decision making during the forced merger proposal period.*
4. *That in accordance with the Departmental Guidelines a budget allocation of \$50,000 is approved for a community information campaign to inform the community about the merger proposal using print media, social media and possibly residential mail outs.*

3.3 POLICY IMPLICATIONS

Nil

3.4 RELATED LEGISLATION

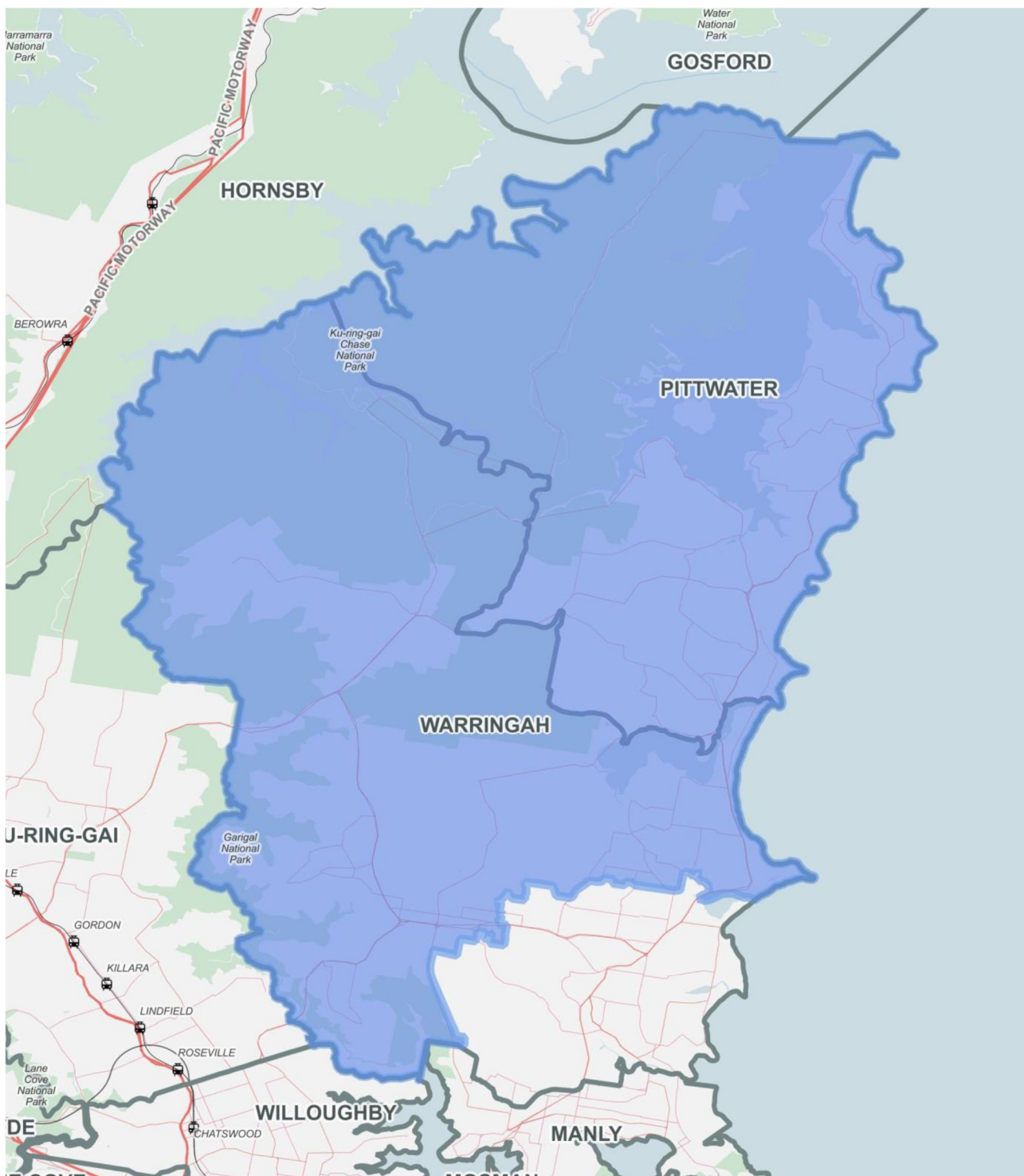
NSW Local Government Act 1993, particularly Section 263(3).

3.5 FINANCIAL ISSUES

3.5.1 As per Guidelines issued under Section 23A Council will consider preparing a 'sub-plan' to the adopted Delivery Plan and Budget during the merger proposal period.

4.0 KEY ISSUES

4.1 Proposed expanded council

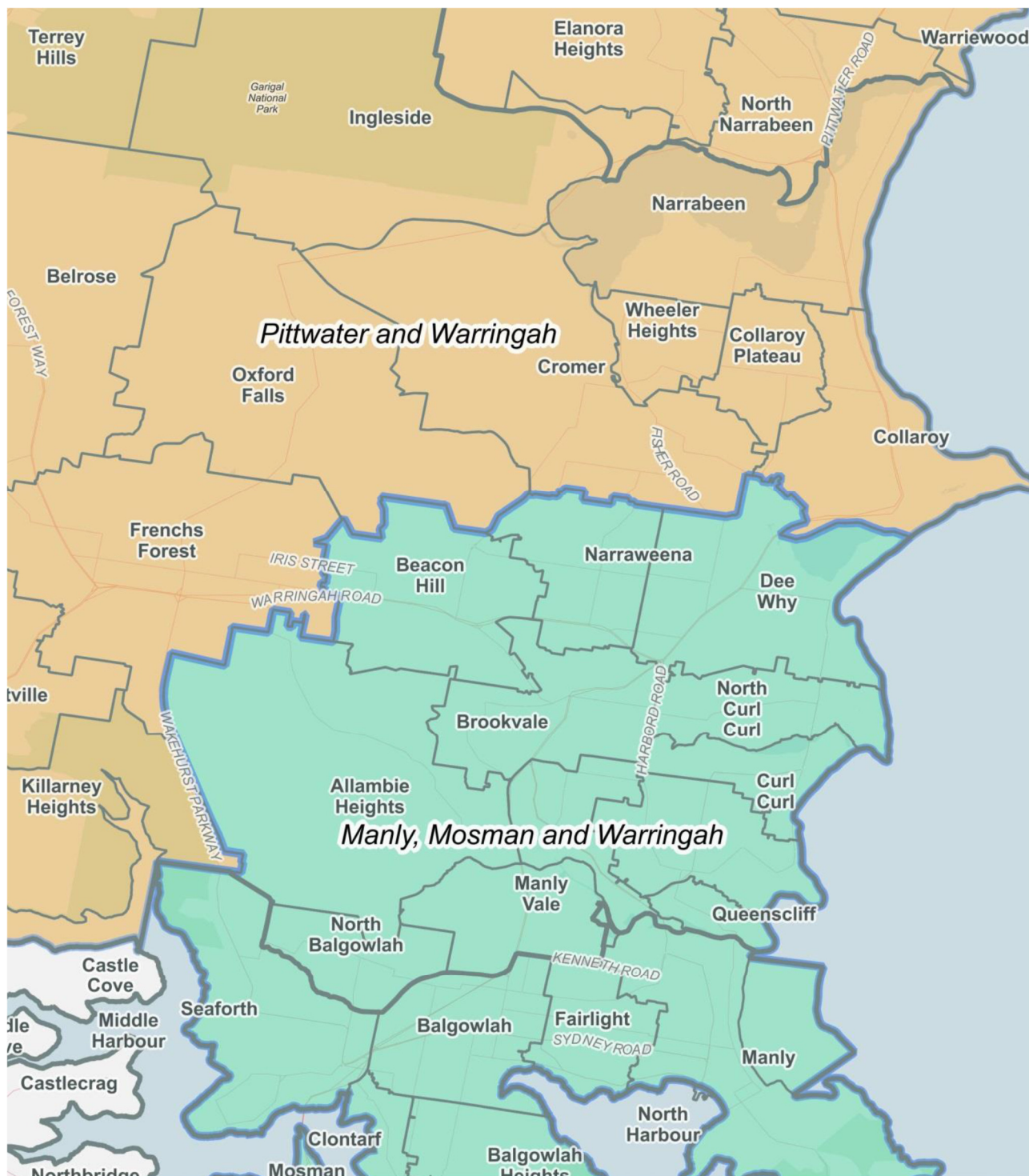


Proposed merger: Pittwater and Warringah

Data sources: Land and Property Information
Datum and Projection: GDA94



- Proposal Area
- Current LGA Boundaries
- Suburbs
- Waterbodies
- Open space
- Roads
- Rivers
- Rail



Proposed New Boundary

Data sources: Land and Property Information
Datum and Projection: GDA94



- ▬ Proposed Boundary
- Current LGA Boundaries
- Suburbs
- Waterbodies
- Open space
- ▬ Roads
- ▬ Rivers
- ▬ Rail

4.2 The NSW Government's proposal document outlines a range of key benefits and opportunities:

- a \$49 million net financial benefit over a 20 year period that may be used to deliver better community services, enhanced infrastructure and/or lower rates;
- a projected 67 per cent improvement in annual operating results that will strengthen the council's balance sheet and free up revenue for critical infrastructure;
- NSW Government funding of \$20 million to meet merger costs and provide a head start on investing in services and infrastructure that the savings from mergers will ultimately support;
- greater efficiencies through the removal of back office and administrative functions, increased purchasing power of materials and contracts, and reduced expenditure on councillor fees all of which are expected, on average, to generate savings of around \$3 million every year from 2020 onward;
- greater capacity to effectively manage and reduce the \$32 million infrastructure backlog across the two councils by maintaining and upgrading community assets;
- reducing the reliance on rate increases through SRVs to fund local community infrastructure projects and services;
- better integrating strategic planning and economic development to more efficiently respond to the changing needs of the community;
- building on the shared communities of interest and strong local identity across the area;
- providing effective representation through a council with the required scale and capacity to meet the future needs of the community; and
- being a more effective advocate for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian Governments.

4.3 **Section 263(3) of the Local Government Act**

Staff will be preparing a response to reflect the key criteria in respect to the submission of 263 (3)

(3) When considering any matter referred to it that relates to the boundaries of areas or the areas of operations of county councils, the Boundaries Commission is required to have regard to the following factors:

- (a) the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned,
- (b) the community of interest and geographic cohesion in the existing areas and in any proposed new area,
- (c) the existing historical and traditional values in the existing areas and the impact of change on them,
- (d) the attitude of the residents and ratepayers of the areas concerned,
- (e) the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area,
 - (e1) the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities,
 - (e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned,

- (e3) the impact of any relevant proposal on rural communities in the areas concerned,
- (e4) in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards,
- (e5) in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented,
- (f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas.

4.4 The Examination and Reporting Process

The Delegate will be seeking a meeting with Council representatives to meet with him. In addition he strongly encourages Council to make a submission on the proposal and invites representatives of the council to speak at the public inquiry.

It is understood that the Delegate will be contacting council shortly with the details of the public inquiry, including the date and time, location and registration process.

-
- Submissions once made and received become part of the public record.
- Submissions will be published at the conclusion of the proposal examination process after the delegate has provided their report to the Minister, unless the author of a submission requests that it remains confidential.
- Authors must clearly state if they wish all or part of their submission to remain confidential.
- To protect the privacy of submitters, signatures and other personal contact details will be removed before submission are published.

4.5 The examination process is outlined on www.councilboundaryreview.nsw.gov.au

The Legislative Process

The process for considering proposals to amalgamate local government areas or alter a local government area boundary is set out in Chapter 9, Part 1, Divisions 2A and 2B, and Chapter 9, Part 3 of the Act. The Minister for Local Government (Minister) has referred proposals to the Chief Executive of the Office of Local Government, who has delegated the examination and reporting function under section 218F of the Act to a number of persons (Delegates). The Delegates will be responsible for examining and reporting on the proposals in accordance with the Act. Once they have completed their examination, they must prepare a report and provide that report to the Minister and to the independent Boundaries Commission. The Boundaries Commission will review the reports of the Delegate and provide its comments to the Minister. Once the Minister has received reports prepared by the Delegates and the Boundary Commission's comments on those reports, the Minister will make a decision on whether or not to recommend the implementation of each proposal to the Governor of NSW. For more details on the legislative process please refer to the Act.

The Public Inquiry

Sections 263(2A) and 218F(2) of the Act requires the Delegate to hold a public inquiry (public meeting) into the proposal. Any person may speak at the public inquiry, but may not be represented at the public inquiry by an Australian Lawyer or by a person qualified for admission as an Australian Lawyer, or any person acting for a fee or reward.

Details of the times, dates and locations of the public inquiries will be made available in mid-January.

Submissions

Written submissions will be one of the most important ways for Delegates to gather information. People who make written submissions are encouraged (but are not required) to focus on the factors listed in section 263(3) of the Act.

Written submissions close 5.00pm Sunday 28 February 2016 and can be submitted either online or by mail.

GPO Box 5341
Sydney NSW 2001

For more information please refer to the Frequently Asked Questions section on this website.

4.6 Council Decision Making During Merger Proposal Periods

The Office of Local Government under section 23A of the NSW Local Government Act has released guidelines outlining Council Decision Making during merger proposal periods. The NSW Government has confirmed that until such time as a new council is created all councillors will remain in place conducting council business as usual. The Premier has indicated that there may be a need to defer the 2016 September elections until March 2017.

The Council is required to consider the Guidelines in exercising their functions during the proposal period. The Office of Local Government will be monitoring compliance. It is therefore important to outline the following:

During a merger proposal period, councils and council officials should be mindful of the need to act in the best interests of their community and for the purposes of meeting the needs of that community. Councils should not make decisions that needlessly impose avoidable costs on a new council.

In particular, councils and council officials should not make decisions during a merger proposal period for the following purposes:

- to prevent or disrupt the consideration of merger proposals by the Chief Executive of the Office of Local Government or his delegate, the Boundaries Commission or the Minister for Local Government other than through the legitimate exercise of legal rights of review or appeal
- to exercise their functions or use council resources to oppose or support a merger proposal for personal or political purposes (see below for more information on merger-related information campaigns)
- to seek to damage or impede the operational effectiveness of a new council including by (but not limited to):
 - making significant and/or ongoing financial commitments that will be binding on a new council
 - making other significant undertakings or commitments that will be binding on a new council
 - making decisions that are designed to limit the flexibility or discretion of a new council
 - deliberately and needlessly expending council resources to minimise the resources available to a new council on its commencement.

4.6.1 Merger-Related Information Campaigns

Any public information campaigns conducted by councils with respect to merger proposals:

- should be conducted for the purposes of informing the local community about the merger proposal and should be proportionate to this purpose
- should not involve disproportionate or excessive expenditure or use of council resources
- should be conducted in an objective, accurate and honest manner and should not be deliberately misleading
- should not be used to endorse, support or promote councillors, individually or collectively, political parties, community groups or candidates or prospective candidates at any election, Local, State or Federal.

Merger-related information campaigns should be approved by councils at an open council meeting. Councils should also publicly approve a budget for the campaign at an open council meeting before incurring any expenditure on the campaign

4.7 Community awareness

Council staff will ensure all updates will be posted on Council webpage, and will ensure all information is made available to the community for consideration prior and during the steps of the public inquiry process once received.

5.0 ATTACHMENTS

1. Attachment 1: Letter from the Hon Paul Toole MP, Minister for Local Government
2. Attachment 2: NSW Government Merger Proposal: Pittwater Council and Warringah Council (part)
3. Attachment 3: Office of Local Government Council Decision Making During Merger Proposal Periods
4. Attachment 4: Delegate Richard Pearson - bio

6.0 SUSTAINABILITY ASSESSMENT

6.1 GOVERNANCE & RISK

6.1.1 Community Engagement

Council staff will ensure up to date information is available for the community via Council's website, social media and print media channels. It is expected the NSW Government will release further information on the public inquiry process by mid January 2016.

6.1.2 Risk Management

The issued Departmental Guidelines under Section 23A provide a risk framework for councils during the merger proposal periods.

A risk framework will be finalised in January to manage the number of risks and challenges that may be experienced prior, during and post merger (including but not limited to):

- Uninterrupted service delivery
- Adequate and accurate information available to community and staff
- Financial management and budget setting
- Systems integration
- Change management framework for staff

6.2 ENVIRONMENT

6.2.1 Environmental Impact

No immediate impact however, improvement in Catchment Management, Coastal Management and National Park relationships would be anticipated.

6.3 SOCIAL

6.3.1 Community Needs and Aspirations

As set out by the NSW Government the community will have a further opportunity to have input into the proposed mergers via the Delegate appointed by the Chief Executive Office of the Office of Local Government.

It will be necessary to work with the respective communities in bringing together a shared vision and common communities of interest. This will need to be defined through the functional, perceptual and political dimensions within which the new area would operate.

6.4 ECONOMIC

6.4.1 Economic Development

Strengthening of economic development for several of the areas would be achieved firstly independently by the expanded Council but also working collaboratively with an equally sized capable council to the south. For example the cohesive planning of Narrabeen and North Narrabeen commercial precincts.

Report prepared by

Mark Ferguson
GENERAL MANAGER



The Hon Paul Toole MP
Minister for Local Government

Clr Jacqueline Townsend
Mayor
Pittwater Council
PO Box 882
MONA VALE NSW 1660
pittwater_council@pittwater.nsw.gov.au
jacqueline_townsend@pittwater.nsw.gov.au

06 January 2016

Dear Clr Townsend

Today I referred a council merger proposal relating to your Council to the Chief Executive of the Office of Local Government (OLG) for examination and report under the *Local Government Act 1993*.

The merger proposal identifies significant benefits for the local community. It has been informed by four years of consultation with NSW councils, independent assessment, council merger preferences, and feedback from communities and stakeholders.

The Chief Executive has delegated the function of examining and reporting on the proposal to a Delegate.

The proposal relating to your Council and details regarding the process being undertaken, including the name of the Delegate, can be located at:
www.councilboundaryreview.nsw.gov.au

The process for reviewing a council merger proposal will now commence, and will allow councils and the community to have their say through public inquiries (public meetings) and written submissions. I encourage you to take advantage of this opportunity to put forward your views.

Delegates will prepare reports that consider the factors in the legislation, including financial considerations, communities of interest, elected representation, employment of staff, service and facilities, and the attitude of residents and ratepayers. These reports will go to me, as well as the independent Local Government Boundaries Commission, which will comment on each report. The timeframe for the process is a matter for the Delegate and the Boundaries Commission. I will carefully consider the reports before making a final decision. This is not expected to be before the middle of 2016.

The Government remains committed to allowing councillors that are supportive of making the new council a success the opportunity to shape the future of the new council.

No decision has been made in relation to the manner in which existing councillors may continue to be involved in a new council for an amalgamated area. Options available under the *Local Government Act 1993* include the appointment of a single person or group of people (which may include councillors for presently existing council areas) to act as administrators, or the continuation in office of councillors from the former council areas, as councillors of a new area ahead of the next election. In addition, councils can establish Local Representation Committees, to help shape the new council.

On behalf of the Government, I thank you for your input into this process.

Yours sincerely

A handwritten signature in black ink that reads "Paul Toole". The signature is written in a cursive, flowing style.

Paul Toole MP
Minister

Merger Proposal:

Pittwater Council Warringah Council (part)

JANUARY 2016



Figure 1: Proposed new local government area

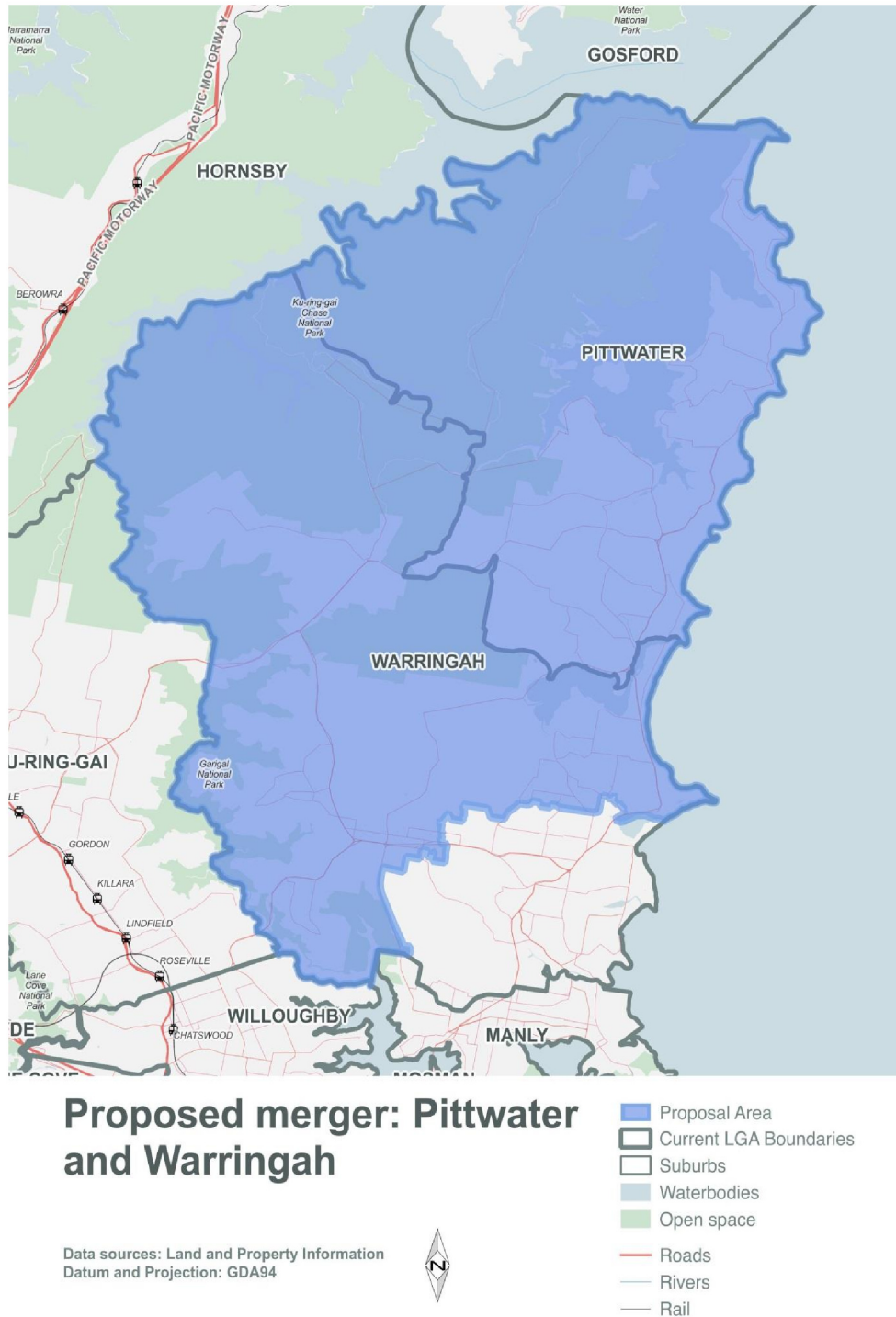
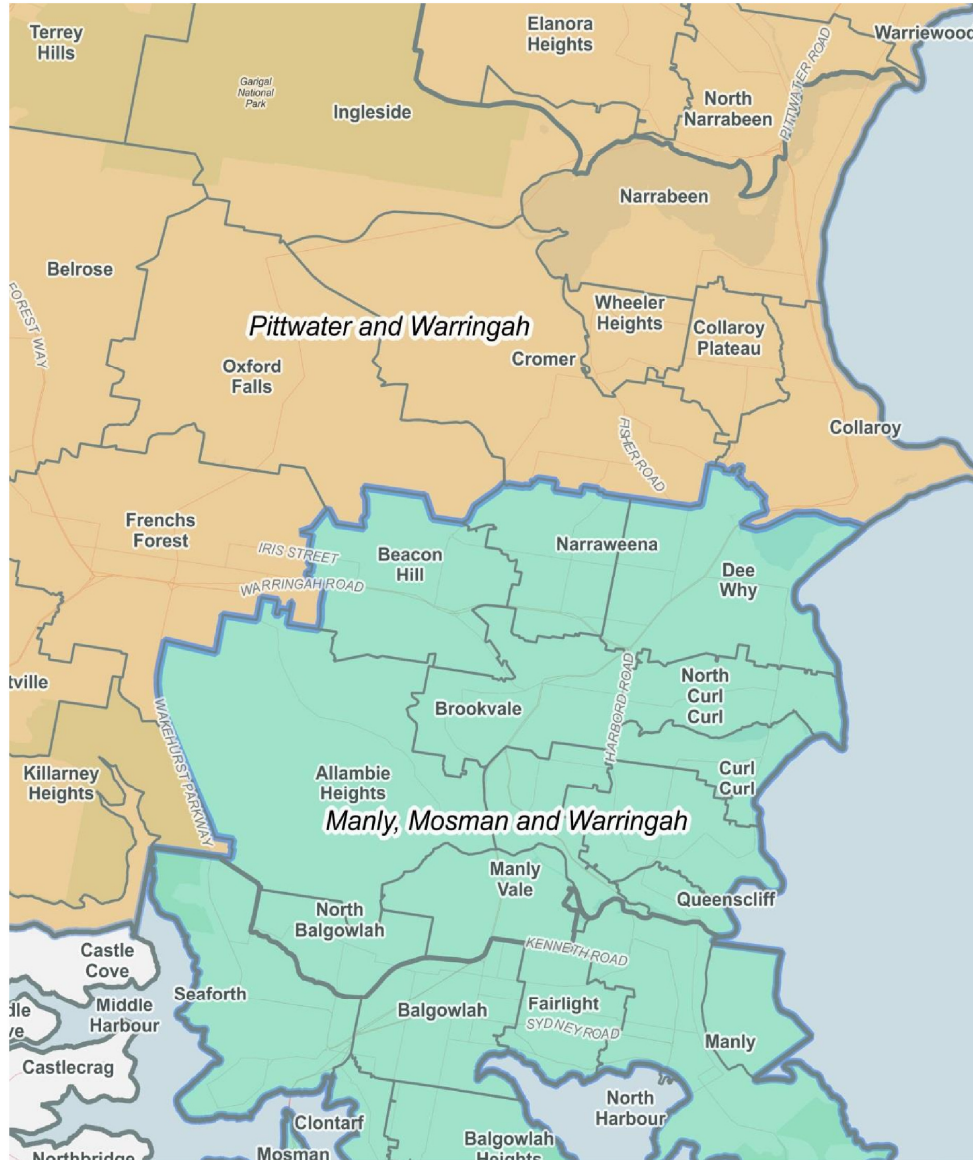


Figure 2: close up of proposed new boundary between Manly/Mosman/Warringah and Pittwater/Warringah



Proposed New Boundary

Data sources: Land and Property Information
Datum and Projection: GDA94



- Proposed Boundary
- Current LGA Boundaries
- Suburbs
- Waterbodies
- Open space
- Roads
- Rivers
- Rail

MINISTER'S FOREWORD

Four years of extensive consultation, research and analysis have demonstrated that change is needed in local government to strengthen local communities.

Independent experts have concluded that NSW cannot sustain 152 councils – twice as many as Queensland and Victoria.

After considering the clear need for change, the Independent Local Government Review Panel (ILGRP) research and recommendations, the assessment of councils by the Independent Pricing and Regulatory Tribunal (IPART), council merger preferences, community views and the unique needs and characteristics of each area, I am putting forward the proposal to merge the local government area of Pittwater with the majority of the local government area of Warringah.

The proposed merger will create a council better able to meet the needs of the community into the future and will provide significant benefits for the community.

This document details the benefits the merger will provide to communities, including:

- a total financial benefit of \$49 million over a 20 year period that can be reinvested in better services and more infrastructure;
- a projected 67 per cent improvement in annual operating results;
- potentially reducing the reliance on rate increases through Special Rate Variations (SRVs) to fund local infrastructure;
- greater capacity to effectively manage and reduce the infrastructure backlog;
- improved strategic planning and economic development to better respond to the changing needs of the community;
- effective representation by a council with the required scale and capacity to meet the future needs of the community; and
- providing a more effective voice for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments.

With the merger savings, NSW Government funding of \$20 million– and a stronger voice – the larger council will be better able to provide the services and infrastructure that matter to the community, projects like:

- working with the NSW Government to complete the B-Line bus rapid transit project;
- more integrated management of the Narrabeen Lagoon and Narrabeen Lagoon Catchment area;
- preserving and improving access to the coastal environment for the benefit of local residents and to enhance tourism, including improved coastal and estuary management;
- improving bush regeneration, weed control and fencing initiatives across the region, including areas along the Wakehurst Parkway or Mona Vale Road;
- common parking system to deliver a reciprocal permit;
- a new strategic centre at the Northern Beaches Hospital Precinct, with health-related land uses, focused around the new Northern Beaches Hospital; and
- preservation of Pittwater – the largest harbour in Sydney outside of Sydney Harbour.

The savings, combined with the NSW Government's policy to freeze existing rate paths for four years, will ensure that ratepayers get a better deal.

A suitably qualified delegate of the Chief Executive of the Office of Local Government will consider this proposal against criteria set out in the *Local Government Act (1993)*, and undertake public consultation to seek community views.

I look forward to receiving the report on the proposal and the comments from the independent Local Government Boundaries Commission.



Minister Paul Toole

January 2016

EXECUTIVE SUMMARY

The communities of Pittwater and the Northern Warringah share many common characteristics and will benefit by up to \$49 million from a merged council with a stronger capability to deliver on community priorities and meet the future needs of its residents.



Introduction

This is a proposal by the Minister for Local Government under section 218E(1) of the Local Government Act (1993) for the merger of the Pittwater local government area with the northern part of the Warringah local government area¹. This merger proposal sets out the impacts, benefits and opportunities of creating an expanded council.

The creation of this expanded council will bring together communities with similar expectations in terms of demands for services, infrastructure and facilities.

The proposal has been informed by four years of extensive council and community consultation and is supported by independent analysis and modelling by KPMG.

The proposal is broadly consistent with the Independent Pricing and Regulatory Tribunal's (IPART) 2015 assessment that each of these two councils is 'not fit' to remain as a standalone entity.

IPART determined that Pittwater and Warringah councils each satisfied key financial performance benchmarks. However, IPART assessed that operating individually, each council would have limited scale and capacity to effectively deliver on behalf of residents and meet future community needs.

¹ The end result if the proposal is implemented is that a new local government area will be created. For simplicity throughout this document, we have referred to an expanded council rather than a new local government area.

The expanded council for the new local government area will not only oversee an economy that shares many similar residential, workforce and industry characteristics, but will have enhanced scale and capacity to help it deliver on local infrastructure priorities such as the Northern Beaches Hospital Precinct and proposed Bus Rapid Transit.

Impacts, Benefits and Opportunities

A range of benefits and opportunities has been identified from the proposed merger, including a stronger balance sheet to meet local community needs and priorities.

Analysis by KPMG shows the expanded council has the potential to generate net savings to council operations. The merger is expected to lead to around \$29 million in net financial savings over 20 years.

Council performance will also be improved with a projected 67 per cent increase in annual operating results achieved within 10 years.² This means that there will be a payback period of three years after which the merger benefits will exceed the expected merger costs.

The analysis also shows the proposed merger is expected to generate, on average, around \$3 million in savings every year from 2020 onwards. Savings will primarily be from the removal of back office and administrative functions; streamlining of senior management roles; efficiencies from

² Operating results refers to the net financial position and is calculated as operating revenue less operating costs. It excludes revenue associated with capital grants and expenditure on capital items.

increased purchasing power of materials and contracts; and reduced expenditure on councillor fees.³

The NSW Government has announced a funding package to support merging councils which would result in \$20 million being made available should the proposed merger proceed.

These savings may enable the new council to reduce its reliance on rate increases to fund new and improved community infrastructure.

Each of the two councils is currently seeking or has recently sought a Special Rate Variation (SRV) from IPART. For example:

- Pittwater Council had an approved cumulative SRV of 12.1 per cent over a three year period from 2011-12; and
- Warringah Council has an approved cumulative SRV of 7.9 per cent over a four year period from 2014-15.

The proposed merger is also expected to result in simplified council regulations for residents and businesses in the Pittwater and Warringah council areas, given each council is currently responsible for separate and potentially inconsistent regulatory environments. Regulatory benefits include consistency in approaches to development approvals, health and safety, building maintenance, traffic management and waste management.

The proposed merger will provide significant opportunities to strengthen the role and strategic capacity of the expanded council to partner with the NSW and Australian governments on major infrastructure projects, addressing regional socio-economic challenges, delivery of services and focus on regional priorities.

This could assist in:

- reducing the existing \$32 million infrastructure backlog across the Pittwater and Warringah area;
- improving liveability and boosting housing supply to meet population growth;
- supporting economic growth and urban development while enhancing the standard of living and lifestyle that local residents value; and
- protecting the natural environment, including unique environmental areas such as the Narrabeen lagoon.

While a merged council will increase the current ratio of residents to elected councillors, the new ratio is likely to be comparable with levels currently experienced by other communities across Sydney.

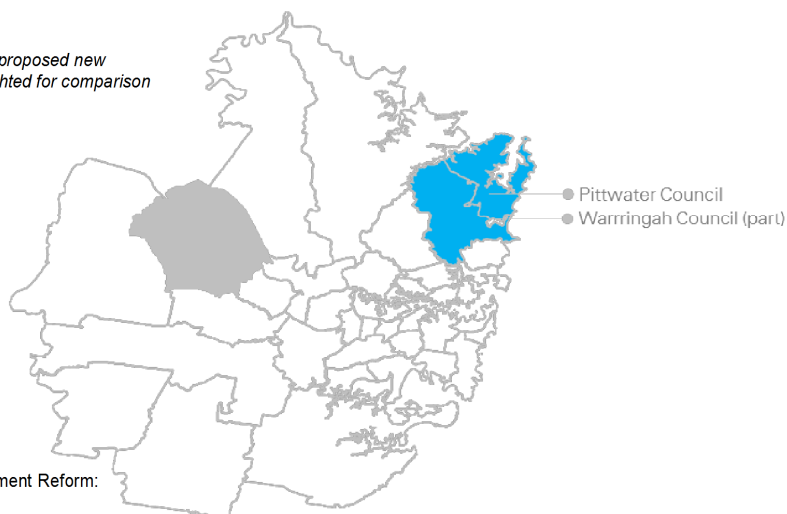
Next Steps

This merger proposal will be referred for examination and report under the *Local Government Act (1993)*.

Local communities have an important role to play in helping ensure the expanded council meets their current and future needs for services and infrastructure and will have an opportunity to provide input on how the expanded council should be structured.

Local communities will have an opportunity to attend the public inquiry that will be held for this merger proposal and an opportunity to provide written submissions. For details please visit www.councilboundaryreview.nsw.gov.au

Figure 2: Map showing boundaries for the proposed new council with Blacktown City Council highlighted for comparison



³ NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

INTRODUCTION

This merger proposal has been informed by an extensive four-year consultation and review process.

The NSW Government has been working with local councils and communities since 2011 to strengthen council performance and ensure local government is well placed to meet future community needs.

A first key step in that process was the ILGRP's comprehensive review of local government and subsequent recommendations for wide-ranging structural reform and improvements to the system. In response, the NSW Government initiated the *Fit for the Future* reforms that required each local council to self-assess against key performance indicators and submit proposals demonstrating how they would meet future community needs.

The NSW Government appointed IPART in 2015 to assess each council's submission. IPART has now completed its assessment of 139 proposals (received from 144 councils) and concluded 60 per cent of councils are 'not fit' for the future. Many of these councils did not meet the elements of the 'scale and capacity' criterion (refer Box 1 below).

Pittwater and Warringah councils each submitted *Fit for the Future* proposals to remain as standalone councils. In assessing each council's submission, IPART determined that neither of the councils were 'fit' to stand alone and that a merger was needed to achieve the required scale and capacity to meet the needs of residents now and in the future.

The Government has considered the merger options for this area of Sydney and is proposing an expanded council for the southern, higher density part of the Northern Beaches and an expanded council for the northern part of the Northern Beaches area of approximately the same size in population. This option was the preferred merger option for this part of Sydney for three of the four councils impacted by this proposal, supports the Government objective of creating councils of around 150,000 or greater in population size and recognises the unique history of Pittwater Council, which was created just over 20 years ago following a de-amalgamation from Warringah Council.

Box 1 Overview of scale and capacity

Key elements of 'scale and capacity'

Scale and capacity is a minimum requirement as it is the best indicator of a council's ability to govern effectively and provide a strong voice for its community. At a practical level, this includes being able to:

- undertake regional planning and strategic delivery of projects;
- address challenges and opportunities, particularly infrastructure backlogs and improving financial sustainability;
- be an effective partner for NSW and Australian governments on delivering infrastructure projects and other cross-government initiatives; and
- function as a modern organisation with:
 - staffing capacity and expertise at a level that is currently not practical or economically possible for small councils;
 - innovative and creative approaches to service delivery; and
 - the resources to deliver better training and attract professionals into leadership and specialist roles.

A SINGLE COUNCIL FOR THE PITTWATER AND NORTHERN WARRINGAH AREA

The proposed expanded council will be responsible for infrastructure and service delivery to more than 140,000 residents across the Pittwater and Northern Warringah area of Sydney.

The creation of an expanded council provides the opportunity to bring together the communities from across the local government areas of Pittwater and Northern Warringah. These communities have similar lifestyles, use similar services and have a common identity based on similar socio-economic profiles and proximity to the coastal environment. They also have similar population growth outlooks.

This proposal suggests mergers and boundary rearrangements to bring together communities with similar priorities and create a council with the appropriate scale and capacity to effectively deliver on behalf of residents and meet future community needs.

The expanded council will be responsible for infrastructure and service delivery to around 167,000 residents by 2031. This reflects the expected population growth across the area of 1.0 per cent per annum.⁴

The proposed merger aligns with the approach of the NSW Government's Sydney Metropolitan Plan (known as *A Plan for Growing Sydney*). The Plan also identifies the importance of adopting a coordinated approach to managing the expected population growth across the Pittwater and Warringah area and the need to plan for, and respond to, the changing service and infrastructure needs of these communities. The NSW Government has identified a number of regional priorities that are directly relevant to the proposed new council. For example:

- delivering a new Northern Beaches Hospital and support the development of a new strategic centre around at the Northern Beaches Hospital Precinct;
- delivering the B-Line bus rapid transit project to improve transport connections from the Northern Beaches to the Sydney CBD;
- protecting the natural environment and promoting its sustainability and resilience, with a focus on improving the health and resilience of the marine estate including the foreshore, tributaries and aquatic habitats of Pittwater, the coast and the area's beaches; and
- working with councils to identify suitable locations for housing and employment growth coordinated with infrastructure delivery and transport services.




An expanded council with appropriate scale and capacity will be better able to partner with the NSW Government on the implementation of these regional priorities.

The establishment of a new council will also provide an opportunity to generate savings and efficiencies and reduce the current duplication of back-office functions, senior executive positions and potentially the many layers of current regulations. Any savings generated by a merger of these two councils could be redirected to improving local community infrastructure, lowering residential rates and/or enhancing service delivery. An overview of the current performance of the two existing councils and the projected performance of the new proposed entity is provided in Figure 3.

In addition, while IPART found that each of the two Pittwater and Warringah councils satisfies financial performance criteria, it also found that each council's ability to effectively advocate for community priorities is affected by a lack of scale and capacity. A merged council will improve this, with an enhanced scale and capacity to better plan and coordinate investment in critical infrastructure and services. This should also put the expanded council in a better position to advocate to the NSW and Australian governments for the regional investments that will be needed for the future.

⁴ NSW Department of Planning & Environment (2014), NSW Projections (Population, Household and Dwellings).

Figure 3: Council profiles

| | Pittwater Council | Warringah Council (part) | New Council |
|------------------------------------|---|---|---|
| |  |  |  |
| Population (2014) | 63,338 | 77,343 | 140,681 |
| Area | 90 sq km | 124 sq km | 214 sq km |
| IPART Rating | NOT FIT | NOT FIT | The new council will likely have enhanced scale and capacity to better meet the future service and infrastructure needs of the community. |
| Operating Revenue (2013–14) | \$84.7m | \$83.2m | \$193.6m (projected 2019–2020) |
| Operating Result (2013–14) | \$4.7m | \$5.6m | +\$4.4m projected improvement to 2019–20 operating results |
| Asset Base | \$374.0m | \$671.1m | \$1.0bn |
| Infrastructure Backlog | 5 per cent | 2 per cent | 3 per cent |

Sources: Australian Bureau of Statistics, Department of Planning and Environment, Office of Local Government, Council Long Term Financial Plans, Fit for the Future submissions to IPART and IPART Assessment of Council Fit for the Future Proposals.

Note: Totals may not sum due to rounding. Estimates of the new council's operating performance and financial position is based on an aggregation of each existing council's projected position as stated in respective Long Term Financial Plans (2013–14). In addition, it is assumed efficiency savings are generated from a merger, and this is reflected in the projected 2019–20 operating result for the new council. Further details are available in NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

BENEFITS, OPPORTUNITIES AND IMPACTS

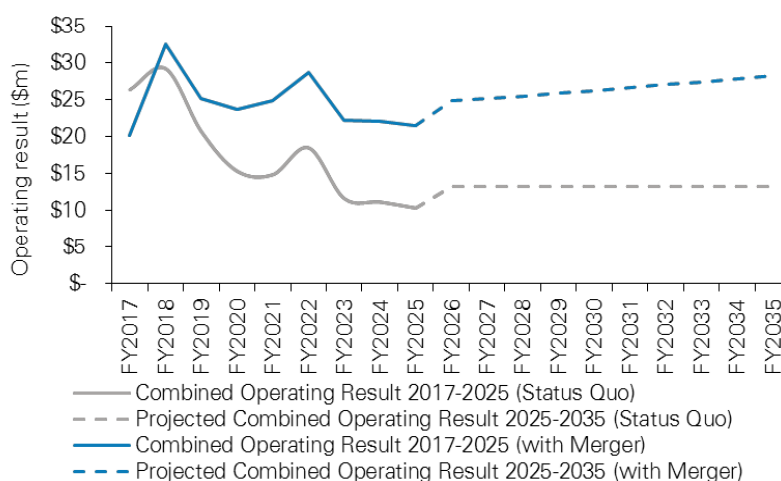
The proposed merger has the potential to provide a \$49 million benefit to communities over 20 years which could support investment in critical local infrastructure and services and/or be utilised to address rate pressures.

Financial Benefits of the Proposed Merger

Analysis by KPMG in 2015 shows the proposed merger has the potential to generate net financial savings of around \$29 million to the expanded council over 20 years. Council performance will also be improved with a projected 67 per cent increase in annual operating results achieved within 10 years. The proposed merger is also expected to generate, on average, around \$3 million in savings every year from 2020 onwards.^{5,6} Consequently, the merged council will have a balance sheet that is stronger and in a better position to meet local community needs and priorities.

Figure 4 illustrates how the proposed merger will lead to growing improvements in the operating performance of the new council compared to the current projected operating performance of each of the two councils.

Figure 4: Projected operating results of the Pittwater and Warringah councils, with and without a merger



Note: Operating results refers to the net financial position and is calculated as operating revenue less operating costs. It excludes revenue associated with capital grants and on expenditure capital items.

Source: Council Long Term Financial Projections (2013-14).

Gross savings over 20 years are modelled to be due to:

- removal of duplicate back office and administrative functions and streamlining senior management roles (\$26 million);
- efficiencies generated through increased purchasing power of materials and contracts (\$10 million); and
- a reduction in the overall number of elected officials that will in turn reduce expenditure on councillor fees (estimated at \$0.9 million).⁷

⁵ Due to boundary adjustments in this proposed merger, the estimated benefits and costs are apportioned based on population in each proposed new council area.

⁶ NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

⁷ NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

In addition, the NSW Government has announced a funding package to support merging councils which would result in \$20 million being made available should the proposed merger proceed.

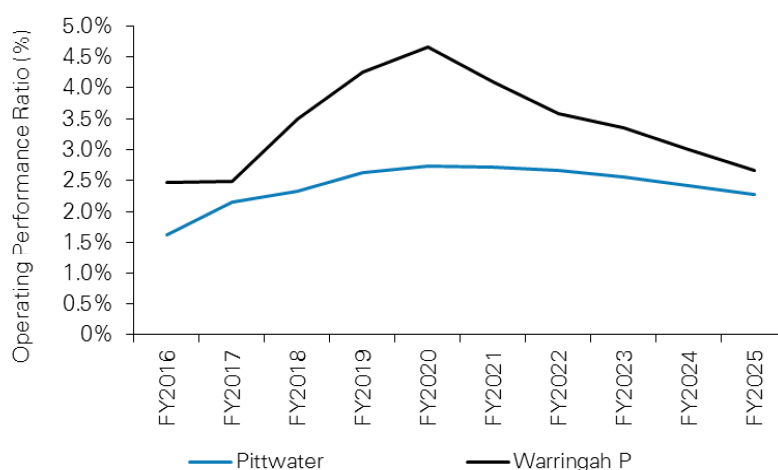
The implementation costs associated with the proposed merger (for example information and communication technology, office relocation, workforce training, signage, and legal costs) are expected to be surpassed by the accumulated net savings generated by the merger within a three-year payback period. The Local Government Act contains protections for three years for all council employees below senior staff level.

Merger benefits could be reinvested to:

- improve infrastructure – annual savings redirected towards infrastructure renewal or capital works including projects like new cycleways, transport interchanges and environmental protection measures. Redeployment of savings could lead to cumulative additional infrastructure expenditure of around \$29 million over 20 years;
- enhance service delivery – removal of duplicate back office and administration functions could provide the basis for employing an additional 27 staff for frontline services. This could include services such as libraries and waste management; and/or
- reduce rate pressures – annual savings could be used to reduce the existing dependency on SRVs to fund community infrastructure and/or avoid future rate increases.

The expected operating performance ratio of each council over the next 10 years is illustrated in Figure 5.⁸

Figure 5: Projected operating performance ratio by council (2016-2025)



Note: Operating performance ratio measures a council's ability to contain operating expenditure within operating income.

Source: Council Long Term Financial Plans (2013-14).

Currently, each of the two councils is forecasting similar levels of operating performance over the next 10 years (as shown in Figure 5). This merger proposal will provide an expanded council with the opportunity to strengthen its balance sheet and provide a more consistent level of financial performance. Overall, the proposed merger is expected to enhance the financial sustainability of the expanded council through:

- net financial savings of around \$29 million to the new council over 20 years;
- a forecast 67 per cent increase in the operating result of the merged entity within 10 years;
- achieving efficiencies across council operations through, for example, the removal of duplicated back office roles and functions and streamlining senior management;
- establishing a larger entity with a broad operating revenue that is expected to exceed \$217 million per year by 2025;

⁸ Calculation of a council's operating performance ratio excludes any grants received from the council's reported operating revenue. This enables comparison of council operating performance based on own-source revenue.

- an asset base of approximately \$1 billion to be managed by the merged council;⁹ and
- greater capacity to effectively manage and reduce the \$32 million infrastructure backlog across the area by maintaining and upgrading community assets.

Opportunities for Improved Services and Infrastructure

The efficiencies and savings generated by the merger will allow the new council to invest in improved service levels and/or a greater range of services and address the current infrastructure backlog across the two councils. Examples of local infrastructure priorities that could be funded by merger-generated savings and efficiencies include projects like:

- maintaining biodiversity and sustained ecosystems in the Pittwater area with the goal of sustainability through strategies such as integrated water cycle management;
- managing coastal erosion hotspots;
- managing weeds and pests in the foreshore of Narrabeen Lakes and Wakehurst Parkway; and
- the further expansion of Warriewood Valley Park, for which planning is currently underway.

Regulatory Benefits

There are currently 152 separate regulatory and compliance regimes applied across local council boundaries in NSW. These many layers of regulations are making it hard for people to do business, build homes and access services they need. NSW businesses rated local councils as second to only the Australian Tax Office as the most frequently used regulatory body, and highest for complexity in dealings.¹⁰

It can be expected that the proposed merger will result in simplified council regulations for many Pittwater and Warringah residents and businesses. Pittwater Council and Warringah Council are each responsible for separate and potentially inconsistent regulatory environments. A merged council provides an opportunity to streamline and harmonise regulations.

Adopting best practice regulatory activities will generate efficiencies for a merged council and benefit local residents and businesses. For example:

- a tradesperson who operates a small businesses across the Pittwater and Northern Warringah area will have just a single local council regulatory framework to understand and comply with;
- consistency of car parking regulation and residential parking permits across the area;
- the compliance burden for a café owner with multiple outlets across neighbouring suburbs will be reduced and simplified; and
- residents can have greater confidence that development applications will be subject to a more uniform process than the existing variations in regulations, which can add to the cost and complexity of home renovations and building approvals.

Impact on Rates

Each of the two councils has received approval for rate increases to meet local community and infrastructure needs. For example:

- Pittwater Council received approval for a cumulative SRV of 12.1 per cent over a three-year period from 2011-12; and
- Warringah Council has an approved cumulative SRV of 7.9 per cent over a four-year period from 2014-15.

The savings generated by a merger may enable the new council to reduce reliance on rate increases to fund community infrastructure.

⁹ Asset base apportioned based on square kilometres in the proposed new council areas.

¹⁰ NSW Business Chamber (2012), Red Tape Survey.

In addition, the proposed merger will bring together a range of residential and business premises across the area, providing the expanded council with a large rate base on which to set ratings policies and improve the sustainability of council revenue. Table 1 outlines the mix of business and residential rating assessments that underpin current rate revenue for each existing whole councils in the area.

Table 1: Comparison of rateable businesses and residential properties (total and percentage share)

| Council | Business rating assessments | | Residential rating assessments | |
|--------------------------|-----------------------------|----|--------------------------------|-----|
| Pittwater Council | 1,892 | 8% | 23,050 | 92% |
| Warringah Council | 3,979 | 7% | 52,847 | 93% |

Source: NSW Office of Local Government, Council Annual Data Returns (2013-14).

Local Representation

The ratio of residents to elected councillors in each of the two existing councils is markedly different. This reflects the wide variation in resident populations. While the proposed merger will change the ratio of residents to elected councillors, the ratio, based on councillor numbers in the existing councils, is likely to be similar to those currently experienced in other Sydney councils, including the more populous Blacktown City Council (Table 2). For the purpose of analysis of merger benefits, this proposal has assumed that the expanded council will have the same number of councillors as Warringah Council, as this has the largest number of councillors of the councils covered by this proposal. The Government welcomes feedback through the consultation process on the appropriate number of councillors for the expanded council.

Some councils in NSW have wards where each ward electorate elects an equal number of councillors to make up the whole council. Community views on the desirability of wards for an expanded council will be sought through the consultation process.

Table 2: Changes to local representation in Pittwater and Warringah

| Council | Number of councillors | Number of residents (2014) | Residents per councillor |
|-------------------------------|-----------------------|----------------------------|--------------------------|
| Pittwater Council | 9 | 63,338 | 7,038 |
| Warringah Council | 10 | 155,289 | 15,429 |
| Merged council | 10* | 140,680 | 14,068 |
| Blacktown City Council | 15 | 325,139 | 21,676 |

* Pittwater and Warringah communities will have an opportunity to shape how a new merged council will be structured, including the appropriate number of elected councillors. Fifteen elected councillors is the maximum number currently permitted under the NSW Local Government Act (1993).

Source: Australian Bureau of Statistics, Estimated Resident Population 2013; and NSW Office of Local Government, Council Annual Data Returns (2013-14).

The expanded council will be in a position to use its larger scale and capacity to advocate more effectively for the needs of the Pittwater and Northern Warringah communities. As the expanded council will represent a more significant share of Sydney's population, and have a substantial economic base, it will be able to advocate more effectively on behalf of its residents. It will also be able to develop improved strategic capacity to partner with the NSW and Australian governments, including on major infrastructure initiatives, community services and urban planning and development.

The many ways communities currently engage with these councils will continue, including through public forums, committees, surveys and strategic planning. Councillors will continue to represent local community interests and will have the opportunity to take a more regional approach to economic development and strategic planning.

THE LOCAL COMMUNITY

The communities across the Pittwater and the Northern part of Warringah area share common characteristics and connections. The proposed expanded council will have enhanced scale and capacity and be better placed to shape and deliver the economic development, community services, and infrastructure that underpin the lifestyle of these communities.

Geography and Environment

The proposed boundaries for the expanded council draw on natural features and take advantage of the area being bordered by water on three sides. The boundaries will extend from Pittwater and Ku-Ring-Gai Chase to the north and the Pacific Ocean to the east. The coastline shapes the lifestyle of many communities and attracts a large number of tourists and weekend visitors. The proposed western boundary will mirror that of Warringah Council up to and including part of Garigal National Park. The southern boundary of the expanded council follows the southern edge of the current suburbs of Collaroy, Cromer, Oxford Falls, Frenchs Forest, and the eastern edge of Killarney Heights. The proposed merger would see environmentally important areas such as McCarrs Creek and the foreshores of Narrabeen Lagoon falling within one local government area, rather than two.

Local Economy

The local economy is characterised by:¹¹

- above average household income compared to the Sydney metropolitan average of \$89,210 with average incomes in Pittwater \$104,887 and Warringah \$101,173;
- moderate growth in employment for both, Pittwater 1.4 per cent and Warringah 1.3 per cent over the period 2008 to 2013, which is below that of Greater Sydney of 1.6 per cent;
- a highly educated population with 66 per cent of Pittwater and 65 per cent of Warringah's population holding a post-school qualification (compared with 59 per cent for Greater Sydney); and
- similar industry composition across both council areas with businesses particularly active in the delivery of property and business services, hospitality, health care, recreation and tourism.

Professional and Technical Services are the largest sectors in each local authority area. An expanded council for the area would be well-placed to support this established industry and identify and make greater investments in growth industries.

Both Pittwater and Warringah councils have relatively high employment self-containment, as approximately 66 per cent of Pittwater's residents and 60 per cent of Warringah's residents work within Sydney's north eastern region.¹² There is potential for significant employment growth in the Northern Beaches Hospital precinct over the coming years. The proposed merger will create a stronger council, better placed to see that the growth of employment in the Northern Beaches Hospital District is well managed and delivers benefits for the wider Warringah and Pittwater communities.

While residents typically remain within the area to work, the area is relatively well connected in relation to health services, especially through Mona Vale Hospital, as well as the soon-to-open Northern Beaches Hospital, and retail services through the shopping district of Pittwater Place.

The business profile and the corresponding workforce across the area will require relatively similar services and infrastructure. A merged council will be better placed to deliver these services and infrastructure in a coordinated manner.

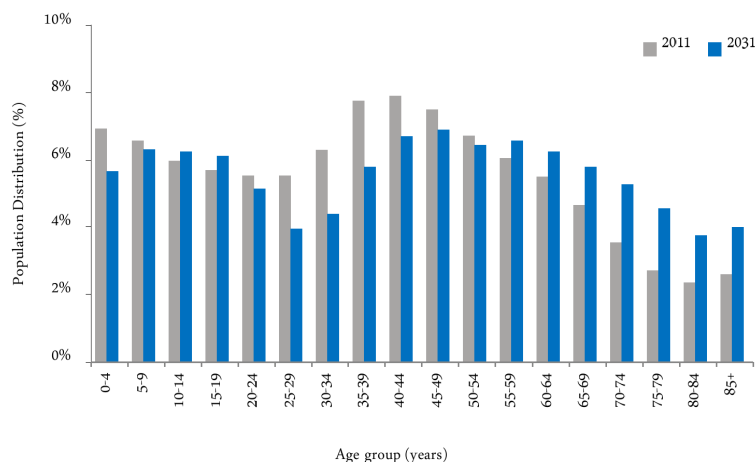
¹¹ Unless otherwise specified, references are to the existing whole Local Government Area of Pittwater and Warringah councils.

¹² Transport for NSW (2014), Bureau of Transport Statistics, Household Travel Survey Data 2012/13.

Population and Housing

The new council will be responsible for infrastructure and service delivery to around 167,000 residents by 2031. Like most regions across NSW, the Pittwater and Warringah area will experience the impacts of an ageing population over the next 20 years (Figure 6).

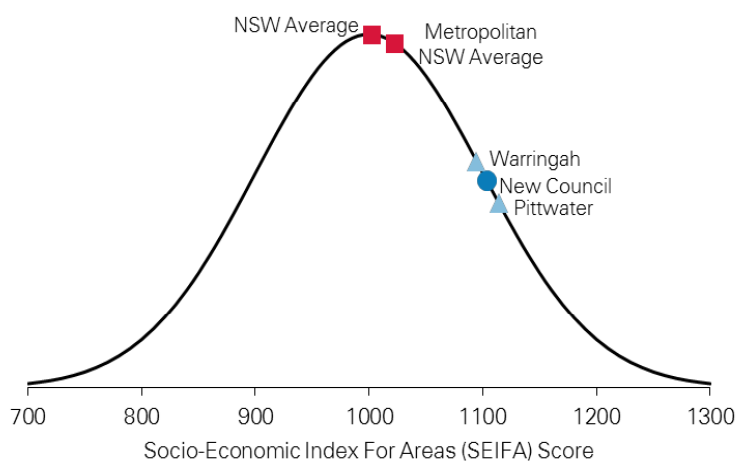
Figure 6 Change in population distribution, by age cohort (2011 v 2031)



Source: NSW Department of Planning & Environment (2014), NSW Projections (Population, Household and Dwellings).

A strong council with the appropriate scale and capacity is needed to respond and adapt to the changing service needs of the community. An ageing population is likely to increase demand for community health services, creation and maintenance of accessible parks and leisure areas and community outreach services. In addition, an expanded council is likely to build capacity to manage common challenges related to greenfield development across the area.

Figure 7: Comparison of councils' socio-economic profile



Source: Australian Bureau of Statistics, SEIFA 2011 by Local Government Area.

In comparison with the rest of Sydney, the Pittwater and Warringah communities are relatively advantaged from a socio-economic standpoint. The Socio-Economic Index for Areas (SEIFA), illustrated in Figure 7, measures a range of factors to rate an individual council's relative socio-economic advantage. Each of the

councils in the Pittwater and Warringah area has similar socio-economic profiles with SEIFA scores that are above the State and metropolitan averages. This reflects the common characteristics across the Pittwater and Warringah community in relation to, for example, household income, education, employment and occupation.

The current mix of housing types within Warringah is fairly evenly spread across low-, medium- and high-density housing. Pittwater has a larger proportion of low-density housing. A merged council provides an opportunity to apply a more regional and strategic focus to planning for the additional households and associated amenities that are expected to be required by 2031. This approach can also help to ensure any pressures and challenges associated with population growth and housing development are not unreasonably concentrated in particular neighbourhoods, while maintaining the unique characteristics of each suburb.

Shared Community Values and Interests

These communities are bound by their sense of place as a coastal and suburban area and their shared identity as part of the Northern Beaches community. Box 2 provides examples of community organisations, services and facilities that have a presence across the area, which indicates the existence of strong connections between the communities in the existing council areas.

Box 2: Examples of common community services and facilities

Shared regional services and facilities

Examples of community services which operate across the area include:

- Northern Beaches Community Connect – a community and volunteer-based organisation providing a wide range of social, immigrant, family and legal services across the Northern Beaches area;
- Community Care Northern Beaches – provides a wide range of community care services for older people, people with a disability, people with a mental illness, people with dementia, and the carers of these people;
- Northern Beaches Lifeline – counselling and crisis support provided through Northern Beaches Lifeline (served by volunteers from across the area);
- Northern Beaches Hospital – will provide further integration of health services in the area following its opening in 2017;
- Warringah and Pittwater share some sporting facilities, including the Pittwater Rugby Park which is used by Warringah Rugby Club.
- Surf Life Saving Australia (Northern Beaches Branch) – seeks to provide a safe beach environment across the area;
- Radio Northern Beaches – the community-based radio station serving the Northern Beaches area and airing programs predominantly made and presented by local residents; and
- Northern Beaches Community College – a not-for-profit business providing a wide range of basic and technical adult educational programs at affordable rates to communities across the area.

The Pittwater and Warringah councils have already been collaborating in a number of ways. For example through:

- promoting improved infrastructure and service delivery outcomes for their communities through the Shore Regional Organisation of Councils (SHOROC) which manages a centralised procurement and contract management service for councils; and
- SHOROC also facilitated negotiations with the NSW Government to achieve a commitment to improving Northern Beaches transport infrastructure. This included advocating for investment in the B-Line bus rapid transit project which is now expected to be up and running by late 2017. This highlights the value of effective regional collaboration and a strong, regional voice for the communities of the Northern Beaches.

The connections between the councils and communities are evident in these existing partnerships and collaborations. An expanded council will be better placed to deliver these services and projects into the future, without relying on voluntary collaboration.

CONCLUSION

This proposal to create a merged council has the potential to provide a range of benefits to local communities, including:

- a \$49 million net financial benefit over a 20 year period that may be used to deliver better community services, enhanced infrastructure and/or lower rates;
- a projected 67 per cent improvement in annual operating results that will strengthen the council's balance sheet and free up revenue for critical infrastructure;
- NSW Government funding of \$20 million to meet merger costs and provide a head start on investing in services and infrastructure that the savings from mergers will ultimately support;
- greater efficiencies through the removal of back office and administrative functions, increased purchasing power of materials and contracts, and reduced expenditure on councillor fees all of which are expected, on average, to generate savings of around \$3 million every year from 2020 onward;
- greater capacity to effectively manage and reduce the \$32 million infrastructure backlog across the two councils by maintaining and upgrading community assets;
- reducing the reliance on rate increases through SRVs to fund local community infrastructure projects and services;
- better integrating strategic planning and economic development to more efficiently respond to the changing needs of the community;
- building on the shared communities of interest and strong local identity across the area;
- providing effective representation through a council with the required scale and capacity to meet the future needs of the community; and
- being a more effective advocate for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian Governments.

NEXT STEPS

Every community will have an opportunity to help shape a new council for their area.

Community Engagement

This merger proposal will be referred to the Chief Executive of the Office of Local Government for examination and report under the *Local Government Act (1993)*. The Chief Executive proposes to delegate this function to a suitably qualified person. The delegate will consider this proposal as required under the Act, including against statutory criteria and hold a public inquiry. The delegate will also undertake public consultation to seek community views. The delegate is also required by the Act to provide the delegate's report to an independent Boundaries Commission for review and comment. The Minister for Local Government under the legislation may decide whether or not to recommend to the Governor that the merger proposal be implemented. For the factors a delegate must consider when examining a merger proposal (under section 263 of the *Local Government Act (1993)*), please refer to the Appendix to this document.

Through the merger assessment process, there will be opportunities for communities and stakeholders to consider merger proposals and have their say. Each merger proposal will be the subject of a public inquiry where the community can hear about and discuss the proposal. Through the consultation process, the delegate will ensure that the opinions of each of the diverse communities of the resulting area or areas will be effectively represented.

Further information about the process is available on the Local Government Reform website at www.councilboundaryreview.nsw.gov.au including:

- details about the proposed mergers;
- information about the delegate for your area;
- dates for public meetings; and
- a portal to provide a written submission.

Appendix

The following table outlines the factors that a delegate must consider under section 263 of the *Local Government Act (1993)* when examining a proposal. The page references outline where the criteria have been addressed in this merger proposal.

| <i>Legislative criteria</i> | <i>Section reference</i> |
|---|---|
| (a) the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned | Benefits, Opportunities and Impacts |
| (b) the community of interest and geographic cohesion in the existing areas and in any proposed new area | The Local Community |
| (c) the existing historical and traditional values in the existing areas and the impact of change on them | The Local Community |
| (d) the attitude of the residents and ratepayers of the areas concerned | There is a public consultation process which includes a public inquiry allowing for the views of residents and ratepayers to be considered. |
| (e) the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area | Local Representation |
| (e1) the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities | Benefits, Opportunities and Impacts |
| (e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned | Financial Benefits of the Proposed Merger |
| (e3) the impact of any relevant proposal on rural communities in the areas concerned | The Local Community |
| (e4) in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards | Local Representation |
| (e5) in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented | Next Steps |
| (f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas | Benefits, Opportunities and Impacts |



For more information visit:
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Local Government

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COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS



DECEMBER 2015

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PURPOSE

These Guidelines provide guidance to councils that are the subject of merger proposals on the appropriate exercise of their functions during the period in which a merger proposal is under consideration by the Chief Executive of the Office of Local Government, the Boundaries Commission and the Minister for Local Government under the Act.

It is important during any merger proposal period that councils continue to operate appropriately, effectively and efficiently to meet the needs of their communities. The Office of Local Government recognises that councils, councillors and council staff all share the desire to continue to serve their communities effectively during the merger proposal period and will have many questions about how to do this in a manner that is appropriate and permissible. These Guidelines seek to assist councils to do this and to provide clear guidance on what is and is not appropriate and permissible during the merger proposal period.

These Guidelines are issued under section 23A of the Act meaning that all councils must consider them when exercising their functions.

THE SCOPE OF THESE GUIDELINES

These Guidelines apply to decisions made by councils the subject of a merger proposal during a merger proposal period.

For the purposes of these Guidelines:

“the Act” – means the *Local Government Act 1993* (NSW).

“a decision” - includes the exercise by the council of any function (including the expenditure of monies and the use of resources) and includes functions exercised under delegation by council officials.

“council officials” – includes a councillor (including the Mayor), a member of council staff or a delegate of a council.

“merger proposal” – means a proposal for the amalgamation of two or more local government areas or the alteration of the boundaries of one or more local government areas initiated by the Minister for Local Government, a council affected by the proposal or an appropriate minimum number of electors under section 218E of the Act.

“merger proposal period” – means the period of time during which a council is affected by a merger proposal, commencing on the day a proposal is made with respect to the council's area under section 218E of the Act and concluding on:

- the day after the Minister decides to decline to recommend to the Governor that a proposal referred to the Boundaries Commission or the Chief Executive be implemented under section 218F(8), or
- the date specified in the proclamation implementing the proposal if the Minister

recommends to the Governor that the proposal be implemented.

“new council” – means a new council created as a result of a merger proposal.

COUNCIL DECISION MAKING DURING MERGER PROPOSAL PERIODS – GENERAL PRINCIPLES

During a merger proposal period, councils and council officials should be mindful of the need to act in the best interests of their community and for the purposes of meeting the needs of that community. Councils should not make decisions that needlessly impose avoidable costs on a new council.

In particular, councils and council officials should not make decisions during a merger proposal period for the following purposes:

- to prevent or disrupt the consideration of merger proposals by the Chief Executive of the Office of Local Government or his delegate, the Boundaries Commission or the Minister for Local Government other than through the legitimate exercise of legal rights of review or appeal
- to exercise their functions or use council resources to oppose or support a merger proposal for personal or political purposes (see below for more information on merger-related information campaigns)
- to seek to damage or impede the operational effectiveness of a new council including by (but not limited to):
 - making significant and/or ongoing financial commitments that will be binding on a new council
 - making other significant undertakings or commitments that will be binding on a new council
 - making decisions that are designed to limit the flexibility or discretion of a new council
 - deliberately and needlessly expending council resources to minimise the resources available to a new council on its commencement.

INTEGRATED PLANNING AND REPORTING

During a merger proposal period, councils should continue to implement and operate in accordance with their adopted Community Strategic Plan, Delivery Program, Operational Plan and Resourcing Strategy.

Annual reporting requirements continue in accordance with the Act, and a report on the progress on implementation of the Community Strategic Plan should be presented at the final meeting of each of the outgoing councils.

Council Decision Making during Merger Proposal Periods

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Preparation of Operational Plans

Should councils prepare Operational Plans during a merger proposal period, these should be prepared as a sub-plan of the council's adopted Delivery Program and should not depart from the council's adopted Delivery Program.

The Operational Plan should directly address the actions outlined in the council's adopted Delivery Program and identify projects, programs or activities that the council will undertake within the financial year towards addressing these actions.

The Operational Plan should include a detailed budget for the activities to be undertaken in that year.

FINANCIAL MANAGEMENT

Expenditure during merger proposal periods

During a merger proposal period, councils should only expend monies in accordance with the detailed budget adopted for the purposes of implementing their Operational Plans for the relevant year.

There should be clear and compelling grounds for any expenditure outside of a council's adopted budget. Expenditure outside of the adopted budget should be approved by the council at a meeting that is open to the public.

The council's resolution approving the expenditure should disclose the reasons why the expenditure is required and warranted.

Should such expenditure be outside of a council's adopted budget and be of an amount equal to or greater than \$250,000 or 1% of the council's revenue from rates in the preceding financial year (whichever is the larger), then such a variation shall be advertised and public comments invited.

Councils the subject of merger proposals should not make decisions that will impose a significant and/or ongoing financial commitment on a new council.

Entry into contracts and undertakings

Councils the subject of merger proposals should not enter into a contract or undertaking involving the expenditure or receipt by the council of an amount equal to or greater than \$250,000 or 1% of the council's revenue from rates in the preceding financial year (whichever is the larger), unless:

- the contract or undertaking is being entered into as a result of a decision made or procurement process commenced prior to the start of the merger proposal period; or
- entry into the contract or undertaking is reasonably necessary for the purposes of:
 - meeting the council's ongoing service delivery commitments to its community; or

- to implement an action previously approved under a council's Delivery Program or the Operational Plan for the relevant year

WORKFORCE MANAGEMENT

Appointment and termination of employment of general managers and senior staff

A council affected by a merger proposal should not during a merger proposal period appoint or reappoint a person as the council's general manager, other than:

- appointing a person to act as general manager under section 336(1) of the Act, or
- temporarily appointing a person as general manager under section 351(1) of the Act.

Councils affected by merger proposals should also avoid making appointments of senior staff other than temporary or "acting" appointments unless there are compelling operational reasons for doing so. Outside of these circumstances, where possible, councils should make temporary appointments to fill vacancies to senior staff positions during the merger proposal period.

There is no restriction on councils' ability to terminate the employment of general managers and other senior staff during a merger proposal period. However, in doing so, councils must comply with the standard contracts of employment for general managers and senior staff and the 'Guidelines for the Appointment & Oversight of General Manager' (July 2011).

Organisation restructures

Councils affected by merger proposals should not undertake organisation restructures unless there are compelling operational grounds for doing so.

No forced redundancies of non-senior staff

Councils affected by a merger proposal should not during a merger proposal period terminate the employment of non-senior staff on grounds of redundancy without their agreement (see section 354C).

Determination of employment terms and conditions for council staff

Determinations of the terms and conditions of employment of council staff members (including in an industrial agreement, in an employment contract or in an employment policy of the council) made during a merger proposal period will not be binding on a new council unless the determination has been approved by the Minister for Local Government (see section 354E).

The Minister's approval is not required for the following determinations:

- determinations authorised by an industrial instrument, or employment policy of the former council, made or approved before the merger proposal period
- determinations in, or authorised by, an award, enterprise agreement or other

industrial instrument made or approved by the Industrial Relations Commission or Fair Work Australia

- determinations that comprise the renewal of an employment contract (other than for the general manager) entered into before the proposal period.

As a general rule, the Minister will approve determinations unless he is satisfied that the determination arises from or is in anticipation of a merger proposal and would result in an unjustifiable increase or decrease in the obligations of the new council in relation to transferred staff members (see section 354E(3)).

REGULATORY FUNCTIONS

Councils and council officials should exercise their regulatory functions strictly in accordance with statutory requirements and the requirements of the *Model Code of Conduct for Local Councils in NSW* and solely on the basis of relevant considerations.

Councils should not exercise their regulatory functions (including in relation to development applications or strategic land use planning) for the purposes of campaigning for or against a merger proposal.

Councils should not make decisions that would not otherwise withstand legal challenge on the basis that the new council and not the outgoing one would need to defend any such challenge.

MERGER-RELATED INFORMATION CAMPAIGNS

Any public information campaigns conducted by councils with respect to merger proposals:

- should be conducted for the purposes of informing the local community about the merger proposal and should be proportionate to this purpose
- should not involve disproportionate or excessive expenditure or use of council resources
- should be conducted in an objective, accurate and honest manner and should not be deliberately misleading
- should not be used to endorse, support or promote councillors, individually or collectively, political parties, community groups or candidates or prospective candidates at any election, Local, State or Federal.

Merger-related information campaigns should be approved by councils at an open council meeting. Councils should also publicly approve a budget for the campaign at an open council meeting before incurring any expenditure on the campaign.

Any variations to the budget should also be publicly approved by the council at an open meeting.

Councils should account fully and publicly for the costs of merger-related information campaigns, including staff and contractor costs. This information should be accessible to the community on councils' websites.

ENFORCEMENT OF THESE GUIDELINES

These Guidelines are issued under section 23A of Act. Councils are required to consider the Guidelines in exercising their functions. The Office of Local Government will be monitoring compliance with these Guidelines.

Failure to comply with the Guidelines may result in the Minister for Local Government issuing a performance improvement order under section 438A of the Act against a council to compel them to comply with the Guidelines or to correct any non-compliance.

The Chief Executive of the Office of Local Government may also surcharge a council official under section 435 the amount of any deficiency or loss incurred by the council as a consequence of the negligence or misconduct of the council official.

RICHARD PEARSON

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