



Attachments

Planning and Strategy Committee

Notice is hereby given that an Planning and Strategy Committee of Council will be held at Council Chambers, 1 Belgrave Street, Manly, on:

Monday 1 February 2016

Commencing at 7.30pm for the purpose of considering items included on the Agenda.

Persons in the gallery are advised that the proceedings of the meeting are being taped. However, under the Local Government Act 1993, no other tape recording is permitted without the authority of the Council or Committee. Tape recording includes a video camera and any electronic device capable of recording speech.

Copies of business papers are available at the Customer Service Counters at Manly Council, Manly Library and Seaforth Library and are available on Council's website:

www.manly.nsw.gov.au

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Manly Council

Agenda

Extraordinary Meeting of Council

Notice is hereby given that an Extraordinary Meeting
of Council of Council will be held at Council
Chambers, at 7.30pm
1 Belgrave Street, Manly, on:

Monday 22 June 2015

Persons in the gallery are advised that the proceedings of the meeting are being taped for the purpose of ensuring the accuracy of the Minutes. However, under the Local Government Act 1993, no other tape recording is permitted without the authority of the Council or Committee. Tape recording includes a video camera and any electronic device capable of recording speech.

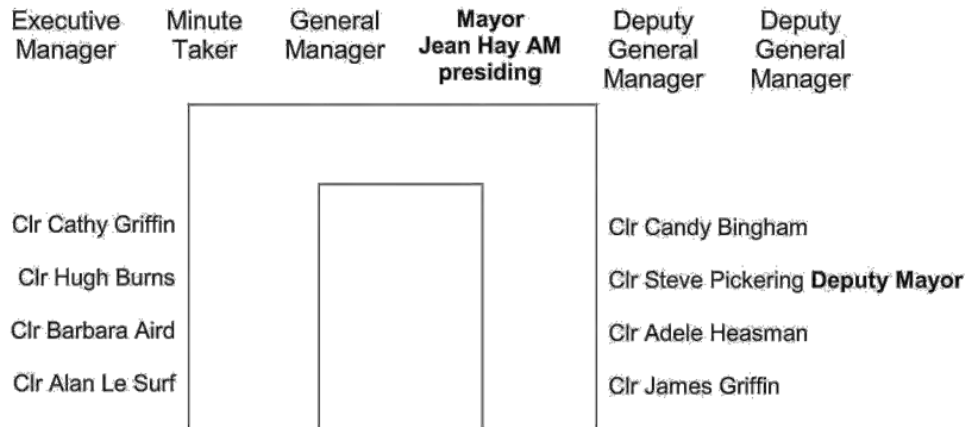
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ATTACHMENT 1

General Managers Division Report No. 1.DOC - Local Government Merger Proposals -
Chronology Information and Timeline
General Managers Report and Submission to IPART June 2015.pdf

Seating Arrangements for Meetings



Press

Public
Addresses

Public Gallery

Chairperson: The Mayor, Cllr Jean Hay AM
Deputy Chairperson: Cllr Steve Pickering

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EXTRAORDINARY MEETING

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EXTRAORDINARY MEETING

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TO: Extraordinary Meeting of Council - 22 June 2015
REPORT: General Managers Division Report No. 8
SUBJECT: Manly Council's Report on the NSW Government's Fit For the Future program
FILE NO: MC/15/72817

SUMMARY

Independent research engaged by Council, following its unanimous resolution of 30 March on Council's Fit for the Future Position, has once again found that the majority of the community support a standalone and independent Manly.¹

Consequently, this report, *inter alia*, recommends that Council, in its response to the State Government on Fit for the Future (FFF):

1. Strongly supports the long-held and repeatedly affirmed position of the community for Manly Council to remain independent²;
2. Rejects any proposal to amalgamate Manly with Warringah and Pittwater into one 'mega council';
3. In terms of the FFF requirements, submits Council's improvement proposal advising the government and the Independent Pricing and Regulatory Tribunal (IPART) of Council's business case to remain as a standalone council because:
 - i. Manly Council is and will continue to be a highly successful and sustainable council;
 - ii. Council has demonstrable strategic capacity to deliver services and infrastructure to the community into the future; and
 - iii. Council has the civic leadership to plan and secure a prosperous future for the whole community.

REPORT

Background to this Report

The State Government announced the Fit for the Future Local Government Reform package in September 2014 and published the assessment criteria in October 2014.

In November, Manly and Pittwater Councils jointly engaged KPMG to analyse the structural options for councils on the Northern Beaches, against the government's stated criteria.

From KPMG's work, Council at its meeting of 30 March 2015 unanimously resolved that no merger is best for Manly (Attachment 1).

In late April, Council began consulting the community on amalgamation options. At the same time, the government appointed IPART to act as the independent panel for assessing FFF responses.³

¹ Taverner Research "A survey of Manly Residents on Council Merger Options" May 2015, page 5 – On the status quo question, of those who responded, 59% supported a standalone (status quo) Manly.

In March 2004 Manly Council carried out a poll of electors in conjunction with the local elections. The questions were:

- Do you support the amalgamation of the Council of Manly with any other local government area or areas? Results were Yes 25.7% to No 74.3%.
- Do you support any boundary adjustments involving the adjoining councils with the Council of Manly? Results were Yes 17.5% to No 82.5%.

Taverner Research conducted in November 2014 on mergers found the majority of the community (57%) rejected a merger into one mega council.

² *ibid*

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IPART consulted on their assessment methodology in late May, to which the Council provided a detailed response⁴ (Attachment 2). IPART formally released their final methodology on 5 June 2015, with the submission closing date of 30 June 2015.

Community Engagement

Following the 30 March 2015 unanimous resolution, Council proactively communicated its decision to the community.

Council produced a community information pack, titled *Your Manly Your Say* which explained the State Government's FFF process, provided a summary of Council's decision to remain independent and set out two amalgamation scenarios if the government forced councils on the Northern Beaches to merge.

Each pack included a feedback form together with a reply-paid envelope. Residents and ratepayers were also given the option to provide feedback online via a secure website.

Promotion and distribution of this information included:

- Hard copies of the essential information pack were delivered to Manly ratepayers and residents.
- Hard copies were made available at Council's Customer Service counter and could be requested by email and phone.
- Electronic copies of the information pack, additional information on the FFF program, and independent research papers on council amalgamations were provided on Manly Council's website.
- The community consultation process was heavily promoted through editorial and advertisements in local media, the weekly Mayoral column, social media, and Council's 10,000 eNews subscribers.

To protect the integrity of this process, the results of the feedback forms were collated and analysed by independent research firm, Taverner Research.

Taverner Research also undertook an independent, random telephone survey of a representative sample of 499 Manly residents on the council amalgamation options.

At the close of the *Your Manly Your Say* campaign on 5 June 2015, the website received 2,573 direct unique views and 830 requests to complete the online feedback form. Of these, 520 online forms were submitted. Council also received 1,079 completed feedback forms by reply-paid post.

The total number of completed responses received via post, online and telephone was 2,098.

Result

1. The Manly community strongly supports Manly standing alone

The telephone random survey by Taverner Research found that the majority of residents support standing alone and an independent Manly (59%).⁵

The survey also found that support for Council standing alone was strongest in the 18 to 35 age group (66%).

³http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Reviews/Fit_for_the_future/Review_of_Local_Council_Fit_For_The_Future_proposals

⁴ Council's response questioned the IPART's methodology, particularly its late inclusion of certain criteria that contradicted earlier announcements upon which councils have relied and engaged experts to provide advice on.

⁵ Taverner Research "A survey of Manly Residents on Council Merger Options" May 2015, page 5.

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The Taverner Research findings are consistent with the 2004 poll⁶ and the November 2014 survey of residents.⁷

2. The community does not support a Northern Beaches 'mega council'

Taverner Research found that, if amalgamation was forced, the community would not support one mega council on the Northern Beaches.⁸ This opposition was also found in the results of the *Your Manly Your Say* feedback forms.⁹

Discussion^{10, 11}

The NSW Minister for Local Government, the Honourable Mr Paul Toole, announced the government's FFF program on September 11 last year.

A summary background to FFF program is attached to the report in Attachment 3.

The FFF program assumes a number of quantitative and qualitative criteria to guide councils in their sustainability and strategic capacity assessments.

This report affirms that Manly Council meets or exceeds the FFF sustainability and strategic capacity criteria.

In terms of the important "community of interest" test, it is a matter of record and historical fact that Manly is a strong, vibrant and cohesive community, bound by the geographic area its citizens proudly call home.

This long-standing sense of community pride is one of the overarching reasons why Manly Council is committed to continuously delivering improvements to the local area, and meeting the changing needs of its residents and visitors. Council has achieved this by providing sound stewardship and strong leadership through the provision of services and infrastructure, and in the protection of the environment.

Continuous improvement, service excellence and civic leadership are core corporate values that drive Manly Council.

It is the conclusion of this report that there is no reason, nor would it be in the Manly community's interest to recommend any structural change in Council's FFF response to the Minister.

The State Government has stated they have a 'No Forced Amalgamations Policy' and Manly Council fully supports this. Recent experience from Western Australia and Queensland shows that council amalgamations will fail if they are forced.¹²

⁶ In March 2004, Manly Council carried out a poll of electors in conjunction with the local elections. The questions were:

- Do you support the amalgamation of the Council of Manly with any other local government area or areas? Results were Yes 25.7% to No 74.3%.
- Do you support any boundary adjustments involving the adjoining councils with the Council of Manly? Results were Yes 17.5% to No 82.5%.

⁷ Do you support having one single council on the Northern Beaches incorporating Pittwater, Warringah, and Manly Councils? Results were Yes 43% to No 57%

⁸ Telephone Survey	Number of Responses	Scenario A (%) 2 Councils of equal size	Scenario B (%) Mega Council
	499	59	41

⁹ Self-Completed Feedback Forms	Number of Responses	Scenario A (%) 2 Councils of equal size	Scenario B (%) Mega Council
Online	520	67	33
Reply Paid	1079	76	24
Total	1599	73	27

¹⁰ The General Manager's Report to Council of 30 March 2015 is substantially reproduced in this report for prudential and consistency reasons.

¹¹ "Merger Analysis for the Northern Beaches" further advice issued by KPMG. June 2015

¹² "The WA Council amalgamation process, how not to do it" presentation by Peter Kenyon, Bank of IDEAS at the 2015 MVA Future of Local Government Summit, 28 May 2015, Melbourne, Australia web: www.mva.asn.au

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An independent survey of the Manly community conducted in November 2014 by Taverner Research showed that the majority of respondents rejected the proposition of a Manly merger with Pittwater and Warringah Councils to form one local government area that extends from the Middle Harbour to Palm Beach¹³. This result is consistent with and confirms the 2004 poll of 18,500 Manly constituents who overwhelmingly rejected boundary changes and amalgamation propositions.¹⁴

However, the 2013 TCorp Report and the 2014 Independent Local Government Review Panel's Report commissioned by the State Government suggests that no change is not an option for some councils. It is therefore fair and reasonable that the Minister for Local Government asks that all NSW councils prepare a response to him on how they will become sustainable, provide effective and efficient services, have the scale and capacity needed to meet the needs of communities and partner with the state.

The Minister added: ".... each council must examine itself and propose how it intends to become fit for the future."

It is important to note that other than financial incentives offered to councils to reach a population size of 250,000 by 2036, population size itself appears not to be a criterion for FFF consideration¹⁵.

Why structural change is not in the public or democratic interests of the community

1. Localism and community of interest ✓

Historically, Manly has demonstrated that it is not only a cohesive community; it also has a strong and vibrant community of interest, bound by the geographic area defined by its present boundaries. The community has also consistently rejected any propositions for structural change to their local area.¹⁶

Manly has a vibrant local democracy in which Council delivers high quality and continually improving local services. It also provides the community with strong, confident and mature leadership.

Manly Council is regularly recognised by its peers for its high levels of achievement across many fronts, including environmental and financial management, which far surpass those of much larger councils.¹⁷

Arguments claiming benefits from "economy of scale" are out-dated as Manly Council achieves all of these benefits through the use of advanced technology-based systems, by nurturing its staff's skills to ensure they are of the highest calibre and by its strategic use of alliances and partnerships.¹⁸

Through SHOROC, the four member councils, Mosman, Manly, Warringah and Pittwater, put forward a strategic plan on regional transport and health that has not only been adopted but is being delivered. The four councils also have a well-established system of information, technology and plant sharing which achieves advantages resulting from size while enabling each council to retain the exceptionality and independence of each area. Retaining Council's independence also

¹³ Do you support having one single council on the Northern Beaches incorporating Pittwater, Warringah, and Manly Councils? Results were Yes 43% to No 57%.

¹⁴ In March 2004 Manly Council carried out a poll of electors in conjunction with the local elections. The questions were:

- Do you support the amalgamation of the Council of Manly with any other local government area or areas? Results were Yes 25.7% to No 74.3%.
- Do you support any boundary adjustments involving the adjoining councils with the Council of Manly? Results were Yes 17.5% to No 82.5%.

¹⁵ Based on Mr Steve Orr, the Acting CEO, Office of Local Government advice to a workshop of Mayors and GMs held on 29 September 2014 - Macquarie Graduate School of Management

¹⁶ *ibid* footnotes 1

¹⁷ Awarded the winner of the 2014 Sustainable City Award (NSW)

¹⁸ "Up to the Job? An analysis of the NSW Government's Fit for the Future Local Government Reform Policy Package": Prof Brian Dollery, and Graham Kelly, University of New England, Feb 2015

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allows it to remain committed to protecting the history and heritage of the area through tailor-made policies and priorities.

A larger council area with fewer councillors would pose a real threat to Manly residents' democratic interests. Residents would automatically have far less opportunity to be heard, reducing the likelihood of their expectations being achieved.

In addition to meeting its community expectations, which are no less demanding than any other areas, Manly also makes welcome, on behalf of the state and the nation, millions of visitors every year. While in Manly, it is Council's role to make sure each visitor has exceptional and memorable experiences.

Therefore, balancing these demands requires a council with staff imbued with a service culture of delighting our customers¹⁹.

Successful and sustainable local councils that are strongly supported by their local community, and with strong and unequivocal evidence of common purpose and community of interest, are councils of the people and by the people.

By any measure, Manly Council is one such council.

2. Financial sustainability ✓

Based on the 2013 TCorp assessment of local government financial sustainability, Manly Council is one of just 32 out of the 152 councils in NSW to be rated SOUND.

The Minister's FFF announcement was predicated on his concerns for the long-term sustainability of councils in general, and particularly those councils found not to be sound.

Table 1 below shows how Manly Council meets or exceeds FFF sustainability criteria.

Table 1 – Assessments for Sustainability²⁰

Criteria	Benchmark	2015 -16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	Benchmark Met?
Operating Performance (%)	> 0	9.9	8.8	11.7	11.7	13	✓
Own Source Revenue	> 60	92	91.5	93	93.1	93.2	✓
Building & Infrastructure Asset Renewal (%)	> 100	174.8	132.3	100	100	100	✓
Infrastructure Backlog (%)	< 2	.045	.043	.044	.044	.044	✓
Asset Maintenance (%)	> 100	105.4	103.5	103.5	103.5	103.5	✓
Debt Service (%)	< 20	9.01	10.27	9.2	8.76	8.41	✓
Real Operating Expenditure per capita (\$ '000)	Declining	1.307	1.304	1.306	1.286	1.269	✓

Manly Council has also achieved a strong track record and reputation for infrastructure delivery. Its forward plan is driven by a desire to future-proof Manly's social and economic prosperity for all its residents. This plan is both realistic and visionary, and Council has the means and knowhow to deliver it.

¹⁹ Council's annual customer satisfaction surveys have consistently showed that respondents' satisfaction are consistently high in all delivery areas surveyed: Governance, Economics, People Services, Infrastructure, Environment, Leadership, and Community Safety; and that Council had also consistently met or exceeded respondents' expectations.

²⁰ Manly Council's LTFP

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According to Professor Graham Sansom, Chair of the State Government's Independent Local Government Review Panel, the strategic capacity of a council is a key ingredient that defines capable, successful and adaptive councils.

Manly is such a council. The analysis below sets out why Manly Council more than meets the FFF indicators and objectives and therefore satisfies the FFF strategic capacity considerations.

- ✓ **Finance:** Manly Council has an unambiguously strong track record in financial management with robust revenue sources and discretionary spending. Council's audited statements show that it consistently meets or exceeds OLG, TCORP and Accounting Code benchmarks.

Manly Council was one of a small number of councils to be rated as financially sound by TCORP's 2013 review for all the right reasons. Council has the technical skills and experience to strategically use its capital structure to ensure there is intergenerational equity in the way, when and how infrastructure is acquired. Council also understands the power of applying the correct capital structure to contemporaneously invest in enduring public assets for the benefits and enjoyment of both present and future generations of residents. Finally, Council has the technical expertise to cost-effectively deliver infrastructure that is the best fit for purpose.

Bringing its experience to bear, Council has confidently delivered significant new infrastructure in recent years including the 1.6km Ocean Beach promenade, Long Day Care Centres, the revitalisation of The Corso, seawall protection work on the Ocean Beach, a new SES complex in Balgowlah, a new depot complex for staff, the rehabilitation and leasing of the former Seaforth TAFE - just to name a few. All of these examples are multi-million dollar and multi-discipline projects that were delivered directly by Council's own design and construction staff.

- ✓ **Infrastructure:** Manly Council has made a long-term investment in our local capacity to deliver major capital works projects. Projects being planned or underway include the Manly Town Centre upgrade, Manly Oval car park, flood mitigation works and the new aquatic centre.

Council understands the economic and social multiplier effects from investments in infrastructure and uses this understanding to engender community pride, improve perceived community safety and incentivise private investment.

Council provides and maintains an extensive list of public infrastructure assets that spans the whole of the local government area end-to-end.

More specifically, unlike most council areas, Manly Council has no infrastructure void or backlog and all existing assets are technically rated in a good serviceable condition.

- ✓ **Innovation:** Manly Council leads local government in technology infrastructure innovation and business systems. Many systems that are used at other councils in the country and internationally have their genesis at Manly, including Council's Knowledge Management Platform, online services, CCTV technology, crowd pattern recognition technology for use in public order management, number plate recognition and parking management and enforcement systems.

Council also has experienced and highly qualified staff resources that are creative and innovative in the delivery of programs, infrastructure and activities across the quadruple bottom

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line, as demonstrated in its Annual Report achievements and ten year Community Strategic Plan. For example, the Burnt Bridge Creek water harvesting scheme, Manly Lagoon rehabilitation works using Manly Council designed dewatering and bulking up systems, seawall toe protection works and environmental education programs such as the award-winning 'Litter-Guard' initiative.

- ✓ **Strategic planning:** Council has highly qualified and experienced staff with advanced skills in financial management, professional engineering, eBusiness, legal, strategic planning and policy development. These in-house skills have enabled Council to meet the needs and goals of its community, implement new and improved cost-efficient services and develop forward-thinking strategies.

Some of the programs and ideas that have been adopted by other levels government have been developed at Manly, such as the Northern Beaches Bus Rapid Transit project announced by the State Government.

Additionally, staff at Manly Council have been recognised for their business analytical skills and strategic planning expertise that have helped transformed and strengthen the local capacities of developing countries in our region.

- ✓ **Collaboration with neighbours:** Manly supported the establishment of SHOROC (partnership between Manly, Mosman, Pittwater and Warringah Councils) and its regional collaboration on advocacy, resource sharing and strategies. These are pursued on a variety of regional issues, providing coordination and collaboration to achieve desired outcomes. In particular, Manly Council, working with Pittwater and Mosman Councils, has formed a strategic alliance on shared and purchasing services.
- ✓ **Local community partnerships:** Council works with volunteers, special purpose committees and local and regional partners, including other councils, to advocate and deliver a variety of important services to the Manly and Northern Beaches community. This includes the provision of innovative local social, environmental, economic and governance services. For example, Street Tree Management Plan with the precincts, the Aboriginal Heritage Office, the Manly Hospital community engagement process, the Northern Beaches Hospital, and the Northern Beaches Transport Plan.
- ✓ **State partnerships:** Council has clearly demonstrated its capability to undertake important infrastructure and regeneration projects with a number of state and commonwealth government departments over the years. Highlights include protection of open space and environmental assets, provision of childcare and SES facilities, revitalisation of lagoons and waterways, and the stabilisation of and improvements to the ocean beachfront. Council also works with a range of state agencies and not-for-profit groups to deliver services, and advocates when gaps appear in funding areas.
- ✓ **Well resourced:** Council has access to monetary resources to acquit complex and unexpected change and the in-house experience to tackle unusual capital budgeting decisions. While

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Council uses financial reserves to plan and anticipate future needs, it does not use these reserves at the expense of core functions or service deliveries.

- ✓ **Highly skilled and experienced staff:** the work of Council is supported by a diverse range of staff (approximately 350 FTE) across a variety of roles. Not only are staff highly experienced and qualified, they all share the same customer-focused ethos and an unbreakable "can do" attitude towards problem solving.

Staff are provided with training, education and development opportunities and Council grows its own talent pool by offering traineeships, internships, career articulation and mentoring opportunities.

Human resources statistics show that staff at Manly Council are highly motivated by their work and enjoy working for Council in their chosen careers.²¹

Council's political and managerial leadership is also highly experienced, with a collective experience spanning many hundreds of years. This experience manages the delivery of services to meet the needs of its 45,000 residents and eight million annual visitors.

- ✓ **Strong community consultation:** Council undertakes continual improvements in community consultation and engagement, an important component of strategic capacity in the local community.

Council conducts community panel surveys using externally facilitated workshops to help develop its Community Strategic Plan, as well as the four year Delivery Program. This research is also utilised to capture the new interests and priorities.

Council continues to record high levels of engagement and use of its website by the community.

Manly Council is one the first councils to establish an effective community precinct system through which it receives feedback on area-wide issues. Precincts are also engaged in helping prioritise local infrastructure programs.

- ✓ **Strong record of community satisfaction.** Since 2003, Council has conducted annual surveys of a representative sample of households on the service Council provides to the community.

The 2014 results showed that residents surveyed were again highly satisfied with the services they received from Manly Council; and that Council also met or exceeded their expectations in all areas surveyed.²²

Manly Council's inherently dynamic strategic capacity is incontrovertible. It is only matched by its strong track record of acting with courage and resolve to achieve solutions, and by its resilience and adaptability.

In summary, there is no case for Manly Council to consider other structural options in its FFF response to the government.

²¹ (i) 2014 Staff Climate Survey and (ii) Annual staff turnover is <8%

²² Based on a 10 factor scale - Economic (7.3), Social (8.5), Infrastructure (7.3); Environment (8.4); Leadership (7.4), Governance (7.4)

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3. The Sansom's Structural Option for the Northern Beaches

The Sansom Report advocates for a single council on the Northern Beaches.²³

The analysis undertaken by KPMG indicates this proposition may deliver, as a proportion of operating revenue, a Net Present Value (NPV) of net benefit in 10 years of 1.6% without, or 2.1% with government incentives.

The financial cost of the Sansom proposal was estimated by KPMG to be \$20.45 million in present value (PV).

Given all three councils on the Northern Beaches are financially sustainable and the so-called financial benefit from a mega merger is 2.1% in 10 years, at best, then the issue for examination is whether a mega council will better protect the community and democratic interests of Manly. For reasons already discussed in this report, any merger is incapable of delivering prosperity to residents, nor would it be in their community or democratic interest, therefore no merger is best for Manly.

While this report concludes that there is no case for Manly Council to consider other structural options, Council should formally reject the Sansom recommendation for Manly to merge with Pittwater and Warringah to form one council area that runs from Middle Harbour to Palm Beach. This option will disproportionately place a costly burden and have adverse consequences on the Manly community, as well as diminish its community of interest and geo-political representation.

Any rationalisation for the Sansom option based on analytics that cannot be sustained is not only very disappointing, it is also misguided.²⁴

IPART Announcement Accepting Alternative Proposals²⁵

Following consultation on its review methodology, IPART announced that it will accept and consider alternative FFF proposals. This announcement opens the way for some councils to form alternative views.

The strongest of these, in my view, is SHOROC. This organisation has already been highly effective in achieving results for the community through regional co-operation on political advocacy and procurements (see SHOROC summary attached in Attachment 4).

In this regard, Council, in Template 2, will provide a strong business case that also features the role and work of SHOROC, which acts to aggregate scale and capacity for its member councils.

It is also the recommendation of this report to test the 'two councils of equal proportion' concept as a direct response to IPART's invitation for alternative options, should amalgamation be forced.

Taverner Research found both Manly and Warringah residents have shown interest in creating two councils along the Northern Beaches.²⁶

The Taverner Research phone survey and the *Your Manly Your Say* consultation both found that, if amalgamation was forced, the community's preference would be two councils of equal population on the Northern Beaches.²⁷

While KPMG found, as a proportion of operating revenue, that the Net Present Value (NPV) of financial benefit in 10 years is 0.2% and the PV cost of this option is \$25.97 million, by any

²³ *Final Report of the NSW Independent Local Government Review Panel*, October 2013, p105

²⁴ An Assessment of SGS Report – Local Government Structural Change: Options Analysis: Prof. B Dollery, University of New England, 2013

²⁵ IPART "Assessment Methodology - Methodology for Assessment of Council Fit for the Future Proposals" - June 2015 pp 10,13, 15, 17, 22, 24, 32, 36, 48, 49, and 50

²⁶ Ibid 8, 9 and Taverner Research Report "A Survey of "A Survey of Warringah Residents on Council Merger Options" March 2015, page 5,

²⁷ ibid

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measure, this option is superior to a mega merger in terms of community and democratic interests, but not better than remaining independent.

RECOMMENDATION

It is recommended that Council, in its response to the State Government on Fit for the Future (FFF):

1. Strongly support the long-held and repeatedly affirmed position of the community for Manly Council to remain independent;²⁸
2. Reject any proposal to amalgamate Manly with Warringah and Pittwater into one 'mega council';
3. In terms of the Fit for the Future requirements, submit Council's improvement proposal (Template 2) by 30 June 2015, advising the government and the Independent Pricing and Regulatory Tribunal (IPART) of Council's business case to remain as a standalone council because:
 - i. Manly Council is and will continue to be a highly successful and sustainable council;
 - ii. Council has demonstrable strategic capacity to deliver services and infrastructure to the community into the future; and
 - iii. Council has the civic leadership to plan and secure a prosperous future for the whole community.
4. In relation to IPART's invitation for alternative options, provide it with a test business case for two Councils on the Northern Beaches

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²⁸ Ibid 'i

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Government's Fit For the Future program
1.The General Manager's Report to the 30 March 2015 ExtraExtraordinary Meeting of Council

Manly Council

Agenda

Extraordinary Meeting of Council

Notice is hereby given that a Extraordinary Meeting of
Council of Council will be held at Council Chambers,
1 Belgrave Street, Manly, on:

Monday 30 March 2015

Commencing at 7.30pm for the purpose of considering
items included on the Agenda.

Persons in the gallery are advised that the proceedings of the
meeting are being taped for the purpose of ensuring the accuracy of
the Minutes. However, under the Local Government Act 1993, no
other tape recording is permitted without the authority of the
Council or Committee. Tape recording includes a video camera and
any electronic device capable of recording speech.

*Copies of business papers are available at the Customer Service
Counters at Manly Council, Manly Library and Seaforth Library and
are available on Council's website:
www.manly.nsw.gov.au*



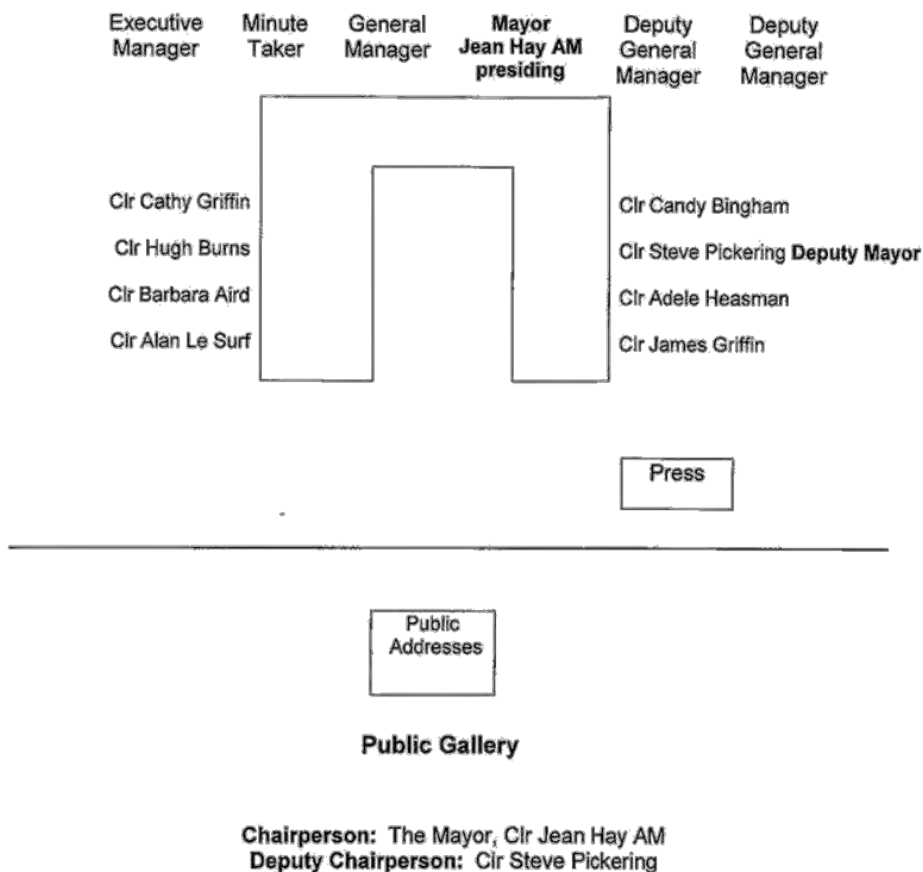
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Seating Arrangements for Meetings



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TO: Extraordinary Meeting of Council - 30 March 2015
REPORT: General Managers Division Report No. 4
SUBJECT: Manly Council's Position on the NSW Government's Fit for the Future Program
FILE NO: MC/15/37564

SUMMARY

The NSW Minister for Local Government, the Honorable Mr Paul Toole, announced the Government's "Fit for the Future" (FFF) program on September 11th last year.

The FFF program assumes a number of quantitative and qualitative criteria to guide councils in their sustainability and strategic capacity assessments.

This Report affirms that Manly Council meets or exceeds the FFF sustainability and strategic capacity criteria.

In terms of the important "community of interest" test, it is a matter of record and historical fact that Manly is a cohesive community with a strong and vibrant community of interest that binds it to the geographic area its citizens proudly call home.

This historical attachment to the Manly community is one of the overarching reasons why Manly Council has consistently demonstrated its commitment to continuous improvements to anticipate and meet the changing needs and expectations of its residents and visitors. Council has achieved this by providing sound stewardship and strong leadership through the provision of Council services and infrastructure and in the protection of the environment.

Continuous improvement, service excellence and civic leadership are core corporate values that drive Manly Council.

It is the conclusion of this report that there is no reason, nor would it be in Manly residents' interest to suggest other structural options in Council's FFF response to the Minister.

REPORT

Introduction

Manly Council fully supports the State Government's 'No Forced Amalgamations Policy'.

In an independent survey of Manly residents conducted in November 2014 by Taverner Research, the majority of respondents rejected the proposition of a Manly merger with Pittwater and Warringah Councils to form one local government area that extends from the Middle Harbour to Palm Beach¹. This result is consistent with and confirms the 2004 poll of 18,500 Manly constituents who overwhelmingly rejected boundary changes and amalgamation propositions.²

The 2013 TCorp Report and the 2014 Independent Local Government Review Panel's Report commissioned by the State Government, suggests that no change is not an option for some

¹ Do you support having one single council on the Northern Beaches incorporating Pittwater, Warringah, and Manly Councils? Results were Yes 43% to No 57%

² In March 2004 Manly Council carried out a poll of electors in conjunction with the local elections. The questions were:

- Do you support the amalgamation of the Council of Manly with any other local government area or areas? Results were Yes 25.7% to No 74.3%.
- Do you support any boundary adjustments involving the adjoining councils with the Council of Manly? Results were Yes 17.5% to No 82.5%.

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councils. It is therefore fair and reasonable that the Minister for Local Government asks that all NSW councils prepare a response to him on how they will become sustainable, provide effective and efficient services and have the scale and capacity needed to meet the needs of communities, and partner with the State.

The Minister added: " each council must examine itself and propose how it intends to become fit for the future."

Other than financial incentives offered to councils to reach a population size of 250,000 by 2036, population size itself appears not to be a criterion for FFF consideration³.

Why structural change is not in the public nor democratic interest of Manly's residents

1. Localism and Community of Interest ✓

Historically, Manly has clearly demonstrated that it is not only a cohesive community; it also has a strong and vibrant community of interest that binds it to the geographic area as defined by its present boundaries. The community has also consistently rejected any propositions for structural change to their local area.⁴

Manly also has a vibrant local democracy in which the Council delivers high quality and continually improving local services. Council also provides the community with strong, confident, and mature leadership.

Manly Council is regularly recognised by its peers for its high levels of achievement across many fronts including environmental and financial management that well surpass those of much larger councils.⁵

Outdated arguments claiming benefits from "economy of scale" are out of touch with reality as Manly Council achieves all those benefits through the use of advanced technology based systems and by nurturing its staff's skills to maintain its strategic capability as an organisation that residents can depend on and by its strategic use of collaborations, alliances, and partnerships.⁶

Through SHOROC, the four councils, Mosman, Manly, Warringah and Pittwater have put forward a strategic plan to government on regional transport and health that were not only adopted, they are being delivered. The four partner councils also have a well-established system of information, technology and plant sharing which achieves many advantages resulting from size while at the same time retains and protects the inherent exceptionality and independence of each area.

The view advocating for larger council areas with fewer councillors would pose a real threat to Manly residents' community of interest as it would result in our residents having far less opportunity to be heard reducing the likelihood of their expectations being achieved.

In addition to meeting our community's expectation, which is no less sophisticated or demanding than any other areas, Manly also makes welcome, on behalf of the nation and state, millions of visitors every year, by giving each exceptional and memorable experiences.

³ Based on Mr Steve Orr, the Acting CEO, Office of Local Government advice to a workshop of Mayors and GLMs held on 29 September 2014 - Macquarie Graduate School of Management

⁴ Ditto footnotes 1&2

⁵ Awarded the winner of the 2014 Sustainable City Award (NSW)

⁶ Up to the Job? An analysis of the NSW Government's Fit for the Future Local Government Reform Policy Package: Prof Brian Dollery, and Graham Kelly, University of New England, Feb 2015

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Therefore, balancing these demands and interests requires a Council with staff imbued with a service culture of delighting our customers⁷.

Over the years, Council has also demonstrated its total commitment to maintaining and protecting the rich and proud history and heritage of the area by its policies and priorities.

Therefore, successful and sustainable local councils that are also strongly supported by their local community, and with strong and unequivocal evidence of common purpose and community of interest, are councils of the people and by the people.

By any measure, Manly Council is one such Council.

2. Financial Sustainability ✓

Based on the 2013 TCorp assessment of local government financial sustainability, Manly Council was one of just 33 out of the 152 councils in NSW to be rated SOUND.

The Minister's FFF announcement was predicated on his concerns for the long term sustainability of councils in general, and particularly those councils found not to be sound.

Table 1 below shows how Manly Council meets or exceeds FFF sustainability criteria.

Measure	Key Indicators	Benchmark	Manly	
Financial sustainability	Operating performance ratio	0	3	✓
Financial sustainability	Own Source of operating revenue ratio	60	79	✓
Financial sustainability	Building and infrastructure asset renewals ratio	100	134.3	✓*
Efficiency	Expenditure per person (Average annual Change)	<0%	-1%	✓
Effective Infrastructure and service Management	Infrastructure backlog ratio	<2	0	✓
Effective Infrastructure and service Management	Asset maintenance ratio	>1	1	✓
Effective Infrastructure and service Management	Debt servicing ratio	<2	0.03	✓

*5 year average

Table 1 – Assessments for Sustainability

Manly Council has also achieved a strong track record and reputation for infrastructure delivery. Its forward plan is driven by a desire to future-proof Manly's social and economic prosperity for all its residents. This plan is both realistic and visionary, and Council has the means and knowhow to deliver it.

⁷ Council's annual customer satisfaction surveys have consistently showed that respondents' satisfaction are consistently high in all delivery areas surveyed: Governance, Economics, People Services, Infrastructure, Environment, Leadership, and Community Safety; and that Council had also consistently met or exceeded respondents' expectations.

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Strategic Capacity ✓

According to Professor Graham Sansom, Chair of the State Government's Independent Local Government Review Panel, strategic capacity of a Council is a key ingredient that defines capable, successful and adaptive councils.

Manly is such a Council. The analysis below sets out why Manly Council more than meets the FFF indicators and objectives, and therefore satisfies the FFF strategic capacity considerations:

- ✓ **Finance:** Manly Council has an unambiguously strong track record in financial management with robust revenue sources, and discretionary spending; Council's audited statements show that Council consistently meets or exceeds OLG, TCORP and Accounting Code benchmarks.

Manly Council was rated as one of the top 33 sound Councils by TCorp's 2013 review of 152 Councils for its financial sustainability for all the right reasons. This is primarily because Council has the technical skills and experience to strategically use its adaptive capital structure to ensure there is intergenerational equity in the way, when and how infrastructure is acquired; Council also understands the strategic power of applying the correct capital structure to contemporaneously invest in enduring public assets for the benefits and enjoyment of both present and future generations of residents. And Council has the technical expertise to cost-effectively deliver infrastructure that is best fit for purpose.

Bringing its experience to bear, Council has confidently delivered a significant amount of new infrastructure in recent years including the 1.6km Ocean Beach promenade, Long Day Care Centres, the revitalisation of The Corso, seawall protection work on the Ocean Beach, a new SES complex in Balgowlah, a new depot complex for staff, the rehabilitation and leasing of the former Seaforth TAFE - just to name a few. All of these examples are multi-million dollar and multi-discipline projects that were delivered directly by Council's own design and construction staff.

- ✓ **Infrastructure:** Manly Council has made a long-term investment in our local capacity to deliver major capital works projects. Projects being planned or underway include the Manly Town Centre upgrade, Manly Oval car park, flood mitigation works, and the new Aquatic Centre.

Council understands the economic and social multiplier effects from investments in infrastructure, and uses this understanding to engender community pride, improve perceived community safety, and incentivise private investments to improve existing developments.

Council's list of existing public infrastructural assets that it provides and maintains is extensive and covers the whole of the local government area end-to-end.

More specifically, unlike most council areas, Manly Council has no infrastructure void or backlog and all existing assets are technically rated in a good serviceable condition.

- ✓ **Innovation:** Manly Council leads local government in technology infrastructure innovation and business systems. Many of the systems that are extensively used in councils in the country and internationally have their genesis at Manly. For example, Council's Knowledge Management Platform, online services, CCTV technology, crowd pattern recognition technology for use in

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public order management, number plate recognition and parking management / enforcement systems, online application tools.

Council also has experienced and highly qualified staff resources that are creative and innovative in the delivery of programs, infrastructure and activities across the quadruple bottom line, as demonstrated in its Annual Report achievements and ten year Community Strategic Plan. For example, the Burnt Bridge Creek water harvesting scheme, Manly Lagoon rehabilitation works using Manly Council designed dewatering and bulking up systems, Seawall toe protection works, the Litter-Guard, and other environmental programs.

- ✓ **Strategic Planning:** Council has highly qualified and experienced staff with advanced skills in financial management, professional engineering, eBusiness and digital media, legal, strategic planning and policy development. These in-house skills have enabled council to develop a proven evidence-based approach for undertaking rigorous research and planning on the needs and goals of its community, developing strategies, and implementing services and actions over time.

Some of the programs and ideas that have been adopted by other levels government have had their initiation, proof of concepts, and delivery methodology developed at Manly. The Northern Beaches Bus Rapid Transit project announced by the State Government for example.

Additionally, many of the staff at Manly Council are recognised for their business analytical skills and strategic planning expertise that have transformed and strengthened local capacities of developing countries in our region.

- ✓ **Collaboration with neighbours:** Manly supported the establishment of SHOROC (partnership between Manly, Mosman, Pittwater and Warringah Councils) and its regional collaboration on lobbying, resource sharing and strategies. These are pursued on a variety of regional issues, providing advocacy, coordination and collaboration to achieve desired outcomes. In particular, Manly Council, working with Pittwater and Mosman Councils, has formed a strategic alliance on shared and purchasing services.
- ✓ **Local Community partnerships:** Council works with its stakeholders, volunteers, special purpose committees and local and regional partners, including Councils, to advocate and deliver a variety of services of importance to the Manly and Northern Beaches community. This includes the provision of a range of innovative local social, environmental, economic and governance services. For example, Street Tree Management Plan with the precincts, the Aboriginal Heritage Office, the Manly Hospital community engagement process, the Northern Beaches Hospital, and the Northern Beaches Transport Plan.
- ✓ **State partnerships:** Council has clearly demonstrated its capability to undertake important infrastructure and regeneration projects with a number of state and commonwealth government departments over the years. Highlights include protection of open space and environmental assets, childcare and SES facilities, revitalisation of lagoons and waterways, and the stabilisation of and improvements to the ocean beach front. Council also works with a range of state agencies and non-profit groups to deliver services, and advocates strongly when gaps appear in funding areas.

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- ✓ **Well resourced:** Council's services and operations benefit from the highly competent and skilled capabilities found in its staff resources. Not only are staff highly experienced and qualified, staff all share the same customer focussed ethos and an unbreakable "can do" attitude towards their work and in problem resolving.

Manly staff are committed to life-long learning and are provided with training, education and development opportunities to improve Council's inherent capability; Council grows its own talent pool by offering traineeships and internships, and by offering career articulation and mentoring opportunities to staff.

Financially, Council has access to monetary resources to acquit complex and unexpected change. While Council uses financial reserves to plan and anticipate future needs, it does not use such devices at the expense of core functions or service deliveries. Furthermore, Council has in-house experience to tackle complex and unusual capital budgeting decisions.

- ✓ **Highly skilled and experienced staff:** the work of Council is supported and enabled by a diverse range of staff (approximately 350 FTE) across a variety of skilled roles. Council aims to be an "Employer of First Choice".

Council also has exceptional quality in its political and managerial leadership with their collective experience spanning many hundreds of years. This experience is mobilised to enable Council to innovatively deliver services and apply resources adaptively to meet the needs of its 42,000 residents and 8 million visitors it welcomes annually.

It is highly evident from human resources statistics that staff at Manly Council are highly motivated by their work and enjoy working for council in their chosen careers.⁸

- ✓ **Strong community consultation:** Council undertakes continual improvements in community consultation and engagement, which is an important demonstrated component of strategic capacity in the local community.

Council undertakes Community Panel surveys as part of the preparation and review of its Community Strategic Plan using externally facilitated workshops and detailed community panel surveys to help develop its Community Strategic Plan, as well as the four year Delivery Program. This research is also utilised to capture the new council interests and priorities.

Council continues to record high levels of engagement and use of Council's website by the community.

Manly Council is one the first councils to establish an effective community precinct system through which it receives feedback on local development, and/or on area-wide issues. Precincts are also engaged in prioritising local infrastructural works and programs.

- ✓ **Strong record of community satisfaction** on Council services. Since 2003, Council has conducted annual surveys of a representative sample of households on the service Council provides to the community.

⁸ 2014 Staff Climate Survey, Annual staff turnover is <8%

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The 2014 results showed that Manly residents surveyed were again highly satisfied with the services they receive from their Council; and that the Council has also met or exceeded their expectations in all areas surveyed.⁹

Manly Council's inherently dynamic, nimble and adaptive strategic capacity is incontrovertible, and is only matched by its strong track record of acting with courage and resolve to achieve solutions. Manly Council is also defined by its resilience and adaptability.

In summary, there is no case for Manly Council to consider other structural options in its FFF response to the government.

3. The Sansom's Structural Option

While this report concludes that there is no case for Manly Council to consider other structural options, Council should formally reject the *Sansom* recommendation for Manly to merge with Pittwater and Warringah to form one council area that runs from Middle Harbour to Palm Beach. This option will disproportionately place a costly burden and adverse consequences on the Manly community, as well as diminishing its community of interest, geo-political representation and Manly localism.

Any rationalisation for the Sansom option based on analytics that cannot be sustained is not only very disappointing, it is also misguided.¹⁰

RECOMMENDATION

That Council:

1. Receives and notes the report;
2. Affirms its support for the state government's no forced amalgamation policy;
3. Supports Manly community's long held position against structural change to their local area.
4. Advises the Minister for Local Government in Council's *Fit for the Future* response that Manly Council is and will continue to be a sustainable Council; that the Council has demonstrable strategic capacity to deliver services and infrastructure to the community into the future and that the Council has the civic leadership to plan and secure a prosperous future for the whole community.
5. Rejects the Sansom structural option for a single council on the Northern Beaches because this option is incapable of delivering prosperity to the residents of Manly, while, *inter alia*, will harm the community's democratic interests;
6. Affirms that it will not consider any structural option nor will it put forward any structural option in its *Fit for the Future* response, and
7. Informs the community of this resolution and seeks their support.

***** END OF AGENDA *****

⁹ Scoring out of 10 - Economic (7.3), Social (8.5), Infrastructure (7.3); Environment (8.4); Leadership (7.4), Governance (7.4)

¹⁰ An Assessment of SGS Report - Local Government Structural Change: Options Analysis: Prof. B Dollery, University of New England, 2013

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Reference: MC/15/
Enquiries: Kathryn Parker 9976 1603

Dr Peter Boxall
Chair
Independent Pricing and Regulatory Tribunal
PO BOX K35
Haymarket Post Shop 1200

Dear Dr Boxall,

Subject: Local Government Consultation Paper. Methodology for Assessment of Council Fit for Future Proposals

Manly Council welcomes the opportunity to provide comment and a submission to IPART's Local Government Consultation Paper, Methodology for Assessment of Council Fit for Future Proposals, April 2015 in response to the questions raised (p.11).

This submission is conditional upon IPART's legal competence under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), to accept the Terms of Reference from the Premier of NSW and/or his Minister for the purported review, and to make findings on the "fitness" of local councils in a manner contained in its publication: *Local Government Consultation Paper, Methodology for Assessment of Council Fit for Future Proposals, April 2015*.

This submission references the Independent Local Government Review Panel ('ILGR Panel') Revitalising Local Government Final Report (October 2013).

This submission raises a number of issues with the IPART proposed methodology including:

1. the inconsistencies in usage and purported reliance on scale and strategic capacity aspects, and
2. a complete lack of quantifiable criteria for these aspects in order to assess the future fitness of 152 local councils.

Manly Council believes that the scale and capacity elements should be flexible for councils, particularly those in the metropolitan area, where the achievement of scale can take a variety of forms that are not necessarily a function of population size. This is especially important for Councils such as Manly Council that already achieve financial sustainability, and where mergers and amalgamations are not desired by communities, or seen to produce long-term net benefits for their communities.

Council's Response to Question 1:

Council agrees with the ILGR Panel's assessment that 'one size does not fit all', and welcomes the NSW Government's consistent reiteration of this concept in its Fit for the Future documents published to date.

In agreeing with the ILGR assessment, Council strongly contends that scale, efficiency and effectiveness are all affected by the location, geography and

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2. Councils Response to Independent Pricing and Regulatory Tribunal (IPART) on its Fit for the Future assessment methodology

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characteristics of the community. Therefore, any process that ignores these determinants in relation to population is flawed.

It is therefore recommended that 'scale' should be grouped as the eleventh key strategic capacity element measured alongside other key elements rather than a standalone threshold determined by population

Nevertheless, IPART (p.21) requires councils to 'demonstrate sufficient scale with an appropriate minimum population size'. Council disagrees that this is a valid requirement. Population size should include resident population, visitation population and working populations of an area.

Any assessment of population size has the potential to penalise good performance. There are numerous examples in NSW, Victoria and Queensland where 'forced' merged entities fail to meet the needs of their communities and fail to achieve financial sustainability across a range of ratios and benchmarks which leaves them worse off than they were beforehand.

Council also disagrees with IPART's approach that there is a 'target number of councils' in the metropolitan area. We believe that is the wrong approach to local government reform. This is because the varying operations, circumstances, or views of the community are not included in this 'target' approach. Instead it is seen as a political solution to reduce the numbers of councils in the Sydney area, without any real economic, practical justification or rationale.

To date, a requirement 'for a minimum population size' has not been explicitly requested in the documents or submission requirements to date. Council supports the concept that 'scale' should not be directly linked to population scale.

While Manly Council area has a 'small' population size of 44,000, it achieves 'scale' in a variety of ways. For instance, it services a much larger visiting and tourist population base (visitors number eight million plus per annum, as measured by ferry data and car parking turnover). It also has innovative ways of delivering services through collaboration across council boundaries.

"Scale" in the Sydney context for Manly is overcome by sophisticated joint regional efforts to work with other levels of government, agencies and non-government organisations that often go beyond the boundaries of local government. For instance, this has been effective in the Northern Beaches through the strong performance of NSROC and SHROC who have worked with state agencies on health, transport, sub-regional planning, as well as on the differing needs of state and federal agencies. SHOROC comprises of four Councils - Mosman, Warringah, Pittwater and Manly - who work together on joint regional initiatives including working with state agencies, lobbying government on key priorities, purchasing, savings and managing regional assets. It has also established a corporate organisations with its neighbours, e.g KIMBRIKI to manage and plan improvements in regional waste.

Manly Council therefore contends that IPART's definition of scale should be flexible. In some cases, size is more accurately reflected by the population that the particular LGA serves, which, in the metropolitan Sydney context, can extend beyond Council's current boundaries, especially when there are Sydney and international visitors constantly coming and going in an area.

Council believes that IPART's current methodology is unreasonably inflexible at present to cater for these considerations and agrees with the ILGR Panel's assessment

¹ Professor Dollery, Bigger is Not Always Better; and Critical Evaluation of Revitalising Local Government

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that 'one size does not fit all'. This should remain the case in the Sydney region given the different roles that different areas play to serve the needs of global Sydney.

Additionally, the reliance on minimum sizes of an area may be counter-productive to achieving 'strategic capacity' as required by IPART and the Independent Panel. There is a body of evidence that shows how the reliance on a particular population size is flawed as a determining factor. These studies are further examined in the paragraphs below.

Professors Abelson and Joyeux² found that the Independent Local Government Review Panel provided no evidence or reference in its report to support their view that larger councils are more financially sustainable than smaller ones. They also found that NSW Government and IPART's equation of scale with financial capacity was baseless and incorrect. They contend that financial capacity is dependent on and a function of income, not of population size of a council area or of 'scale' however this is defined.

Council supports Professor Dollery's research to date (as published on Council's website)³ that argues that the Independent LG Review Panel's discussion of the empirical work on the relationship between council population size and council performance is 'severely deficient' since it entirely neglects population density that is a crucial determinant of the costs of service delivery".

Dollery also finds, on examination of variance in population size in Australia in 2012, there is "no right size for an area". For instance, the average size in Victoria (71,183 persons per council), Queensland (62,467 persons per council) and NSW (47,963) is well above those of the national average, and average size of councils in South Australia (24,335 person per council), Western Australia (17,484 persons per council), Tasmania (17,666 person per council) and the NT (14,677 person per council). International evidence further supports different population sizes, and variance according to Dollery. Australia has the fourth highest average council size (2007) after the United Kingdom, which has the highest average council size (in terms of persons per council) of 143,000. However, even comparing Australian councils to the UK in terms of population size is misleading as there are only two tiers of government compared to Australia's three tiers of government.

Dollery also found that there is no statistically significant relationship between population size and total per capita expenditure for Manly, Warringah and Pittwater councils. There is no evidence that the proposed merger of the 3 councils will result in any significant cost savings. This research is also supported by commissioned independent research by KPMG.

Strategic Capacity

The Independent Panel and the NSW Government's reliance on strategic capacity aspects as defined by the ten factors (as replicated below) is welcomed.

However, it is questioned whether and how IPART will weigh the various factors differently in order to compare 152 different councils' submissions on these qualitative aspects that are expected to vary markedly between the different councils. Otherwise,

² Dr. Peter Abelson: Mayor of Mosman Council and past Professor in Economics at Macquarie University, and Dr Roselyne Joyeux, Associate Professor, Macquarie University, Smoke And Mirrors: Fallacies In The Nsw Government's Views On Local Government Financial Capacity, Paper to LG Professionals Australia NSW Forum, 27 February 2015

³ Professor Dollery, Bigger is Not Always Better; and Critical Evaluation of Revitalising Local Government

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ATTACHMENT 2

General Managers Division Report No. 8.DOC - Manly Council's Report on the NSW Government's Fit For the Future program 2. Councils Response to Independent Pricing and Regulatory Tribunal (IPART) on its Fit for the Future assessment methodology

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it would be impossible to compare the various criteria, especially in view of their relationship with the seven financial ratios required to be met:

1. Robust revenue base and increased discretionary spending.
2. Scope to undertake new functions and major projects.
3. Ability to employ wider range of skilled staff.
4. Knowledge, creativity and innovation.
5. Advanced skills in strategic planning and policy development.
6. Effective regional collaboration.
7. Credibility for more effective advocacy.
8. Capable partner for state and federal agencies.
9. Resources to cope with complex and unexpected change.
10. High quality political and managerial leadership.

Council's Response to Question 2

Manly Council does not consider it appropriate to comment on this question given that it is a metropolitan council, and rural council characteristics vary significantly across NSW (p.4 of IPART Methodology for Assessment of Council Fit For Future Proposals, defined as "small, declining populations spread over a large area"). Council doubts whether there is any meaningful criteria to assess them in terms of the 'Fit For Future' requirements.

Council's Response to Question 3

IPART should make the ratios more flexible and relax the imperative (and make it mandatory) to achieve the ratios within a three year target.

The ratios should be a target to achieve over the long-term, say 10 years plus, as part of Council's long term financial plans (as contained in the CSP documents), rather than a pass or fail test for councils, namely a three year achievement average.

There are particular problems with the reliance of three ratios on asset information as contained in Council's special schedule 7 documents as they can vary widely between councils, are unaudited, and subject to different 'satisfaction tests' that may or may not be undertaken with community input.

Sustainability measures

Council agrees with the usage of the Operating Performance and Own Source Ratio as measures of sustainability.

Manly Council has a consistent record of achieving these benchmarks historically. However, these two ratios should not be measured solely over a three year period. There should be a longer period over which achievement is measured. As well, forward projections are subject to manipulation, assumptions and modelling to achieve a particular outcome. While, this can be based on historic data, and provides a viable long term achievement option for Councils, it does not provide flexibility to change direction or use resources differently if needs arise. As well, as Council is planning

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major project borrowings and spending and the creation of new infrastructure, it may well be penalised for this if assessed over a shorter period.

Manly Council queries whether these should be 'minimum targets' but rather seen as 'best practices', and queries whether they really measure how sustainable a Council is, given the time periods available to compare spending in the templates as provided by the Office of Local Government.

The Building and Asset Renewals (BAR) ratio is also queried by Manly Council as a subjective measure that relies on different information which cannot be easily compared between the different councils.

A major problem with this ratio is that the BAR relies on *unaudited* special schedule 7's values of asset renewals (in its numerator) and *differing depreciation or amortisation rates / schedules* for different asset classes between councils (in its denominator). This makes comparisons between different councils almost impossible as they use different rates, different assets and their own formulae for depreciation.

Additionally, AASB ruling prevents Councils reusing the 'residual value' of assets. Such accounting standards are not suitable for long-term assets with lives more than one hundred years, where a whole of life approach is required to be used for various long-term assets.

The BAR ratio also assumes that councils should be spending more on asset renewals (maintenance) rather than depreciation. This also provides an inherent bias towards not spending or creating new assets.

The ratios also assumes a reduction in costs/expenditure over time is an indicator of good financial management. This provides no relationship to service maintenance, quality, or investment in new services and that the needs of a community might change quickly from year-to-year or over time.

Infrastructure management measures

Council queries the reliance on ratios based on measures that vary widely between councils and where Asset Management Plans and strategies across councils have been found by the Office of Local Government to be the weakest part of the Integrated Planning and Reporting framework.

Infrastructure backlog and asset maintenance ratios are not consistently measured across all councils and there is wide variation in backlogs, condition ratings and measures.

Auditing these backlogs has not yet commenced across councils on asset renewals, backlog and maintenance.

- *Infrastructure Backlog Ratio*

Firstly, the infrastructure backlog measure is subjective and different between all councils.

Secondly, it can be manipulated as part of the FFF processes to get the outcome or ratio desired.

Thirdly, large asset backlogs have also been used to justify SRV applications during the past few years. We note with interest that applications have been approved for councils in 2014-15 with large infrastructure backlogs. It is also interesting for the current year that the councils with the largest SRVs approved also had large infrastructure backlogs and were deemed not needing to merge or amalgamate by the Independent Panel (e.g Wollondilly and Blue Mountains).

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2. Councils Response to Independent Pricing and Regulatory Tribunal (IPART) on its Fit for the Future assessment methodology

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As well, it is doubtful to what extent communities have been properly consulted about infrastructure service levels, as this remains an issue that undermines the validity of condition ratings that are contained in Infrastructure/Asset plans (that again vary enormously between the different councils).

• Asset Maintenance

Asset maintenance expenditure is not regarded as a measure that should be used to assess a council's performance in a comparative sense.

Council budgets are set at a level they can financially afford, and assets are required to be maintained, and there can be a wide variance between councils. However, maintenance levels should not be mandatory for the future practices, but set in a 'targeted' range. For instance, in Western Australia the policy target range for local councils is in the order of 90-110% (hence a 20% margin is allowed), and this is preferred to a 100% average over 3 years (where there can be peaks and troughs and the time period is relatively short). Targets should be reached via 'best practices'.

At present, asset maintenance expenditure measures cannot be properly compared throughout different councils as they rely on unaudited asset schedules, asset management plans and special schedule 7 where satisfaction of various assets and within their asset classes varies markedly. It is also problematic that there are different depreciation rates between councils for different assets in the various asset classes.

Efficiency measures

This measure is flawed in that it assesses operating expenditure as a factor of population size. Again, this feature immediately makes comparisons between small and large council population sizes and respective operating expenditures difficult and controversial, and contradicts the 'no one size fits all' proposition of the independent panel.

It is also concerning that the population size does not include visitor populations or worker populations that often benefit from the level of services and infrastructure provided by residents of a local area. This is particularly the case in Manly, where the resident population of some 44,000 people support eight million visitors annually (based on ferry travel data and visitor parking estimates) and a large working population (10,000 according to ABS data).

This ratio also assumes that operating expenditure relative to population size will reduce over time; that is that spending locally will be reduced on services over time. This contradicts strategic capacity requirements of (1.) 'Robust revenue base and increased discretionary spending', or (2) "scope to undertake new functions and major projects" and possibly (3) "employ a wider range of skilled staff".

It is also questioned whether this is an appropriate measure for government that generally has to provide services that the market cannot deliver – efficiency in costs of operation of services for which there is no market and is a government responsibility indicates that if a service is provided it has to be of low cost. Communities have right to expect improved services over time in return for their rates. Also, there is no evidence to suggest that a larger population results in lower costs of operation and / or provides better services (lower costing services are result of greater spread, and changes/cuts in service delivery).

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Council's Response to Question 4

Manly Council believes that the community consultation that councils undertake in examining their FFF options should be determined by them, and no 'one size fits all' approach as stated by the Independent Panel should prevail.

There are a wide variety of consultation approaches being undertaken (to support or not support) the Independent recommendations for respective councils. As councils are subject to political influences from their varying elected members, these views can be both consistent with and different to their community expectations, research or understanding of the implications of the Independent Panel's recommendations.

It is noted that councils completing a merger proposal (via Template 1) are now expected to have a consistent methodology, and that a template and guidance for this was released in April 2015. This is more than six months after the FFF templates were released, and it is expected that many councils were already engaging with their communities during this time period. It is unrealistic, and ridiculous for the Office of Local Government to expect consistent approaches in community surveys at such a late stage of the consultation phase, and at the point when many communities have been consulted in a manner determined by the politically elected representatives in local government.

Any further attempt either by the OLG or IPART to measure the extent to which community consultation was 'transparent', 'informative' and clear especially regarding the various council FFF alternatives is regarded as not productive and too late to be considered coherently.

Additionally, what is critically missing in the OLG's FFF methodology and templates is how the views of the community will be weighted and taken into account in the review process.

Templates provided to Council

In Council improvement proposals, emphasis in this template is provided only on the achievement of financial ratios, and future improvement plans. There is no opportunity to fully explain strategic capacity or show the extent to which community consultation has been undertaken. The major flaw with the templates is the reliance on financial measures and meeting benchmarks and ratios as a way of indicating good performance or improvements. It does not take into account historical performance. It uses 2013-14 performance as an indicator only. As well the templates only consider 2016-17, or that shown in Long Term Financial Plans (for the next 3 year period) for good performance.

There is little opportunity in the templates to demonstrate future alternatives, or structural change and improvements in performance over time – does not take into account need for debt financing for new public assets or need for spending to take place over time.

Council's Response to Question 5

Councils various performance on their FFF proposals should not be monitored.

This is because there is sufficient 'monitoring' of Councils already, and Manly Council submits that the various financial ratios selected should already be contained in Council Long Term Financial Plans and that these are contained in Council's Community Strategic Plans that are reviewed and updated annually.

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For instance, Manly Council annually updates its Long Term Financial Plan in view of its various projects and undertakings that form part of its annual Operational Plan.

In summary, Manly Council urges the following considerations and improvements to the IPART methodology;

- IPART to seek advice on its legal competence under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), to accept the Terms of Reference from the Premier of NSW and/or his Minister for the purposed review;
- Critically review the question of scale and subordinating this criteria to community of interest and community aspirations considerations ;
- Place significantly greater emphasis on the importance of community determined service standards: social, economic and local identity, and
- The role shared services plays in achieving appropriate scale.

Yours Sincerely

Henry T Wong
General Manager

25/5/15



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3. Background to the NSW Government's Fit for the Future Program

Attachment

Background to Fit For the Future program

The Independent Local Government Review Panel (ILGRP) in January 2014 recommended firstly:

"Amalgamate" Manly Council, Pittwater Council and Warringah Council.¹

It also recommended as a second option that the region could 'combine as a strong Joint Organisation'.

The rationale for this was as follows:

- Projected 2031 population 307,400
- Close function interaction and economic/social links between these councils which constitute an 'island' in the metro region'
- Need for integrated planning of centres, coast, transport, etc

According to the release of the Fit For Future program in September 2015, the NSW Government's response to the ILGRP, recommended all Councils in NSW to submit a proposal by 30 June 2015 to:

'outline how they will reform to meet the needs of their community – to become financially sustainable, efficient, effectively manage infrastructure and deliver services and have the scale, resources and strategic capacity to govern effectively'².

Manly Council was requested to consider only the first option (namely the amalgamation of all Northern Beaches councils).

It also recommended to defer the establishment of Joint Organisations in the Sydney metropolitan region, except for sub-regional planning pending further consideration of options for council mergers.

All councils in NSW were required to:

- Review its situation, starting with whether the council has scale and capacity to meet the challenges ahead;
- Prepare a Fit for the Future submission by 30 June 2015
- Make the transition to a new structure by September 2016 or implement an improvement plan.

The Fit For Future program requires Councils to review, choose a structural reform Templates, and prepare and submit a proposal.

This report provides recommendations for Manly Council to prepare such a proposal.

KPMG Engagement and Findings

In order to fully 'review its situation' and investigate the NSW Government recommendation to prepare a FFF submission, Manly Council engaged KPMG to provide an in-depth analysis and evidence base to support Manly Council and Pittwater Council assess potential structural options for local government reform on the Northern Beaches of Sydney, as well

¹ Independent Local Government Review Panel (2014), Revitalising Local Government, January 2014, p.105

² NSW Government Response, Fit For Future, Independent Local Government Review Recommendations, recommendation 33, p.12

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3. Background to the NSW Government's Fit for the Future Program

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as understand the potential advantages and disadvantages of each structural option, enable informed participation in the NSW Government's Fit For Future reform agenda.

The key considerations to assessing potential impacts for structural options were:

- Financial and economic – net financial and economic impacts of each option and project performance against the FFF metrics;
- Community and governance – local representation and capacity to meet the future service and infrastructure needs of the community
- Geography and environment – management of environmental assets and catchment areas, urban characteristics and development potential
- Demographic profile – selected regional and socio- economic characteristics presented by each reform option
- Service delivery – high level review of how each structural option may impact on the ability of a council to meet the needs of local communities.

To this end, KPMG worked with the two councils to review their strategic capacity against the ILGRP ten criteria. Manly Council was found to meet all strategic capacity criteria and this was replicated in Council's report of 30 March 2015. A summary of the KPMG report is attached.

The potential impacts of each structural option for Manly and Pittwater Councils were examined in detail, and options included the following:

1. No Merger – involves the continuation of the three existing autonomous and separate councils on the Northern Beaches, Option One was used as a base case for comparing the potential impacts of merger options.
2. Greater Pittwater council and Manly Council. This option involves boundary changes and splits the existing Warringah Council along a north-south divide. The northern component would merge with Pittwater Council to create a new Greater Pittwater Council entity, and the southern component would merge with Manly Council to create a new Greater Manly Council entity.
3. Single Northern Beaches Council. This option is consistent with the recommendations of the Review Panel and merges all the three existing Northern Beaches Councils to create a new single council entity for the region.

In terms of the No Merger scenarios, all three councils were assessed as broadly meeting key financial benchmarks even in the absence of any council mergers. The evidence was the TCorp 2013 assessment where all had a Financial Sustainability Rating of 'Sound' (placing the Northern Beaches councils in the top 22% of NSW Councils. Both Manly and Pittwater Councils were assessed as having a 'Neutral' FSR outlook. In addition, all Councils met the Fit For Future Benchmarks by 2020.

In terms of the other structural options, the analysis of the potential financial impacts of Council merger options indicated that each option offered a net benefit of between \$3.3m (Greater Pittwater Council and Greater Manly Council option) and \$34.5m (Single Northern Beaches Council Option) over a ten year period from 2014-15 in net present terms and excluded potential government financial assistance for merging. This was equivalent to 1.9 percent and 20.4 per cent increase in council's operating results over ten years. When measured as proportion of the merged councils' operating revenue the financial impacts that each option offers range from 0.2 per cent to 2.1 per cent over ten years.

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3. Background to the NSW Government's Fit for the Future Program

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As well, the research and evidence from other jurisdictions was examined and indicated poorly planning implementation of structural change, or inadequate oversight of merger risks eroding financial impacts.

The report concluded that both Manly and Pittwater councils demonstrate strategic capacity based on community outcomes achieved. As well, other important non-financial factors that should be considered in merger scenarios included non-financial factors that should be considered by the community. These included implications for services delivery, governance, and the environment. Finally the review of demographic and socio-economic characteristics for the region highlighted both shared interests and distinct variations that impact how a council meets the service and infrastructure needs of its communities.

Assessment & IPART Role

On 27 April 2015, The Minister for Local Government, the honourable Paul Toole announced the appointment of the Independent Pricing and Regulatory Tribunal (IPART) as the expert panel to assess Council Fit For Future proposals, and released a draft methodology inviting council's to respond with their views.

A copy of Council's submission to this draft methodology is provided (Attachment 2) that queried amongst a number of other things whether IPART had the power to recommend to the Government whether Councils were 'Fit For the Future' based on scale, capacity, and financial sustainability criteria, rather than other measures.

On 5 June 2015, IPART released its Assessment methodology explaining how it would undertake assessment of Council's FFF proposals. This methodology confirms that scale and capacity criterion is a threshold criterion for councils and states that Councils will be assessed on their demonstration that they either have or will have sufficient scale, and capacity, and that the proposed approach is consistent with the scale and capacity related objectives as identified by the ILGRP for their region.

Manly Council submission via Template 2 (Performance Improvement Plan) will argue a case for Manly's ability to achieve scale and capacity. The starting point for assessment as stated by IPART will be guided by 'the population estimates for the particular LGA included in the ILGRP's recommended option'. Consistent with the recommendation, the population size of one single northern beaches council will be the starting point for assessment for this region. Therefore, attached is evidence to support Manly remaining as it is, or an alternative business case for Greater Manly will argue that there is sufficient scale and capacity through either some structural change, strategic regional planning or shared services.

As well, as required the other Fit For Future criteria (contained in Template 2) requires Council to demonstrate how it meets the Financial Sustainability criteria against benchmarks to 2019-2020. As part of its comprehensive analysis by KPMG (March 2015), it was found that Manly Council would meet all the (7) seven financial benchmarks set by the NSW Government by 2020 (using Council's draft Long Term Financial Plan).

These have been further revised by KPMG to take into account Council's adopted on 1 June 2015 Community Strategic plan Beyond 2025 (as containing its ten year Long Term Financial Plan). The Addendum report shows that Manly Council will continue to meet all seven (7) financial benchmarks.

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General Managers Division Report No. 8.DOC - Manly Council's Report on the NSW Government's Fit For the Future program 4. Using a Joint Organisation to achieve scale - SHOROC

Attachment 4

USING A JOINT ORGANISATION TO ACHIEVE SCALE

Council is a member of [SHOROC](#), the Shore Regional Organisation of Councils and remains committed to the concept of regional collaboration for planning, lobbying and supporting efficiencies

SHOROC is a strong effective partnership of Manly, Mosman, Pittwater & Warringah Councils. Established in 1996 as an Incorporated Association it is led by a Board of the council Mayors and General Managers and run by a small administration. SHOROC collectively represents a population of 290,000 residents who contribute \$22.5 billion to the NSW economy, and a region of 288km².

SHOROC effectively performs the role of Joint Organisation for this region, advocating with a united voice, coordinating subregional planning, building partnerships with the state and federal governments and supporting council productivity through joint procurement.

With a strong history of achievement, SHOROC strengthens council strategic capacity. For example:

Advanced skills in strategic planning and policy development

- Developed the subregional plan *Shaping Our Future* integrating land-use and infrastructure planning for housing, jobs, transport and health. Now being implemented.
- Developed a regional strategic plan aligned to the NSW Government's state plan NSW2021, identifying strategic priorities for state and local services, infrastructure, economy, environment and governance. Forms basis of NSW Government's Regional Action Plan.
- Developed regional sustainability strategy, waste strategy and economic development planning underway

Effective advocacy

- Strong united advocacy that resulted in:
 - \$633 million in NSW Government funding for regional public transport and roads including a new Bus Rapid Transit system, major road upgrades and planning for a major motorway tunnel.
 - Over \$600 million for hospitals and health services, including construction of a new level 5 Hospital.

Capable partner for State and federal agencies

- Hold SHOROC Leaders Forums, building a strong partnership between local NSW and Commonwealth MPs and council Mayors/GMs through regular meetings to agree and progress regional priorities including infrastructure and services.

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Attachment 4

- Directly partners with NSW Government agencies and represents councils on high-level NSW Government project committees for health, transport, community services, youth, ageing and in other government forums as required.

Effective regional collaboration

- Coordinates regular meetings of 11 Mayors northern Sydney to collaborate and work with the NSW Government of sub regional planning and partnerships
- Manages collaborative regional projects and working parties for economic development, planning, community services, environment, waste, procurement, road works
- Well-established strategic procurement role for tendering and contract management, with contracts for councils across northern Sydney totaling \$20 million annually, including 10 contracts such as for asphalt, linemarking, stationery, records, concrete and more.
- Prepared joint submissions on major NSW Government reviews and reform including for planning, transport, NSW2021, Local Government review and Act review, NSW Infrastructure Strategy, regional ageing and youth strategies.
- Facilitated formation of Kimbriki Environmental Enterprises Pty Ltd (KEE) to sustainably manage the region's waste and resource recovery center, managed by an independent board with the councils as shareholders.

The SHOROC model and achievements play an important role in in both supporting local needs and priorities; and furthering broader regional strategies. It also provides a solid base on which to build an even stronger regional collaboration model for local government, with regional organisations matched to the NSW Government planning groupings and supported by a legislative framework and commitment to partnership by NSW Government MPs and agencies.

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ATTACHMENT 4

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Government's Fit For the Future program
4. Using a Joint Organisation to achieve scale - SHOROC**

******* END OF AGENDA *******

Merger Proposal:

Manly Council Mosman Municipal Council Warringah Council (part)

JANUARY 2016



General Managers Division Report No. 1.DOC - Local Government Merger Proposals - Chronology Information and Timeline

Merger Proposal - Manly Council, Mosman Municipal Council and part Warringah Council

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 areas of Manly, Mosman and the southern 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 \$72 million over a 20 year period that can be reinvested in better services and more infrastructure;
- a projected 38 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 across the councils;
- 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.

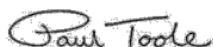
With the merger savings, NSW Government funding of \$25 million— and a stronger voice – the new council will be better able to provide the services and infrastructure that matter to the community, projects like:

- improving sporting and surf club facilities and beach parking and increasing playing fields across the region
- increasing and improving daycare and early childhood centres
- improving walking and cycling connections between Warringah Mall, Brookvale and Dee Why;
- investment to maintain and renew seawalls, ocean and harbour pools, coastal walkways and other key coastal infrastructure throughout the area;
- improving the accessibility of beach car parking for the local community;
- supporting the delivery of masterplans for Dee Why, Brookvale, Manly and Mosman centres which includes a number of projects such as improving the transport along the Spit and Military Roads corridor;
- opportunity to increase community bus services like Manly's Hop Skip and Jump service;

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

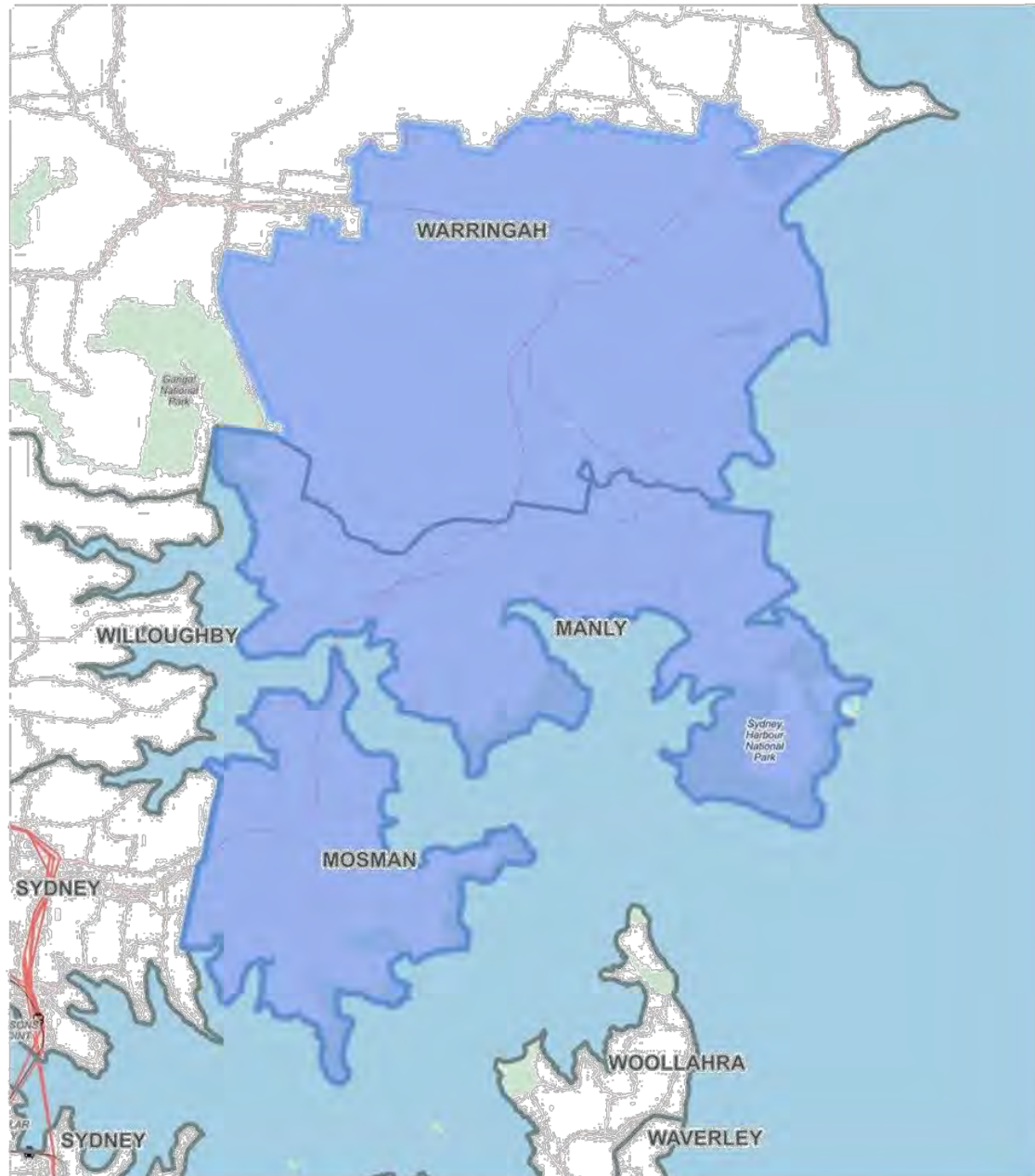
January 2016

ATTACHMENT 2

General Managers Division Report No. 1.DOC - Local Government Merger Proposals - Chronology Information and Timeline

Merger Proposal - Manly Council, Mosman Municipal Council and part Warringah Council

Figure 1: Proposed new local government area



Proposed merger: Manly, Mosman and Warringah

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



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

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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
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EXECUTIVE SUMMARY

The communities of Manly, Mosman and Warringah share common characteristics and connections, including an affinity with Sydney's northern coastline, and will benefit by up to \$72 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 Manly, Mosman Municipal and southern area of Warringah local government areas. The proposed boundary for the part of the Warringah area is the eastern edge bordering the Tasman Sea and the southern edge bordering Sydney Harbour. The western boundary follows the western edge of Beacon Hill and the Manly-Warringah War Memorial Park, and the northern edge follows the suburb boundaries of Allambie Heights, Beacon Hill, Narrabeena and Dee Why¹. This merger proposal sets out the impacts, benefits and opportunities of creating a new council.

The creation of this new council will bring together communities with similar expectations in terms of demands for services, infrastructure and facilities. These communities have a common affinity with Sydney's northern coastline and the natural environment.

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

In 2015, the Independent Pricing and Regulatory Tribunal (IPART) assessed that each of these three councils is 'not fit' to remain as a standalone entity.

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 a new council rather than a new local government area.

While Manly, Mosman Municipal and Warringah councils each satisfied key financial performance benchmarks, 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.

With this proposed three part merger, communities with shared interests and priorities can be brought together under a single council.

The new 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 improved sporting and playing field facilities in the area.

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 new council has the potential to generate net savings to council operations. The merger is expected to lead to around \$47 million in net financial savings over 20 years. Council performance will also be improved with a projected 38 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 \$4 million in savings every year from 2020

² Operating results refers to the net financial position and is calculated as operating revenue less operating costs

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onwards. Savings will primarily be from the removal of duplicate back office and administrative functions; streamlining of senior management roles; efficiencies from 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 \$25 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 three councils is currently seeking or has recently received approval for Special Rate Variations (SRVs) from IPART. For example:

- Manly Council intends to request an SRV of 2.2 per cent over a one year period in 2017–18;
- Mosman Municipal Council has an approved SRV of 10.6 per cent over a one year period in 2015-16; 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 Manly, Mosman Municipal 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 new 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 \$12 million infrastructure backlog across the Manly, Mosman and Warringah area;
- improving liveability and boosting housing supply to meet population growth;
- improving the transport corridor from Mona Vale to the CBD; and
- supporting economic growth and urban development whilst enhancing the standard of living and lifestyle that local residents value.

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.

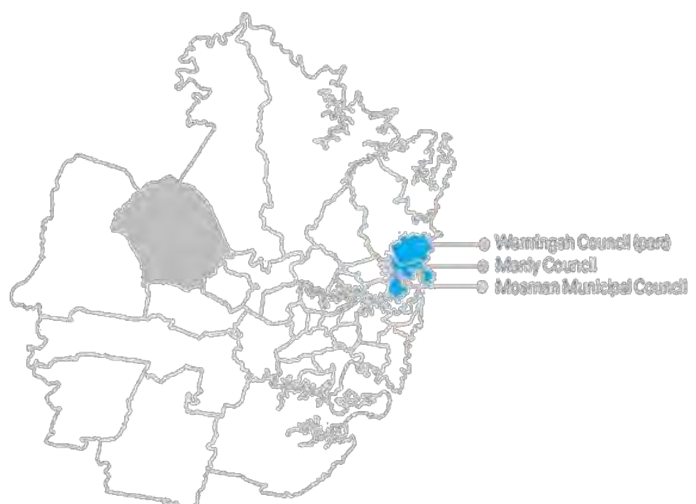
Next Steps

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 new council meets their current and future needs for services and infrastructure and will have an opportunity to provide input on how the new 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 3 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 Independent Local Government Review Panel's (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).

Manly, Mosman Municipal and Warringah councils each submitted *Fit for the Future* proposals to remain as standalone councils. In assessing each council's submission, IPART determined that the three councils are not 'fit' to stand alone and that a merger is 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 a new council for the southern, higher density part of the Northern Beaches of Sydney. It is also proposing a new council for the northern part of the Northern Beaches area of approximately the same size in population, but capturing a more peri-urban part of the Northern Beaches. This option was the preferred merger option for this part of Sydney for three of the four councils impacted by this proposal and supports the Government objective of creating councils of around 150,000 or greater in population size.

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 NEW COUNCIL FOR THE MANLY, MOSMAN AND SOUTHERN WARRINGAH AREA

The proposed new council will be responsible for infrastructure and service delivery to more than 153,000 residents across the Manly, Mosman and Warringah area of Sydney.

The creation of a new council provides the opportunity to bring together communities from across the local government areas of Manly, Mosman and the southern area of Warringah. These communities have similar lifestyles, use similar services and have a common identity as residents of Sydney's northern coastal areas. They also have similar population growth outlooks.

This proposed merger will 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 new council will be responsible for infrastructure and service delivery to more than 179,000 residents by 2031. This reflects the expected population growth across the area of 0.9 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 Manly, Mosman 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:

- working with councils to retain a commercial core in Brookvale-Dee Why for long-term employment growth, to develop additional mixed-use development and to improving walking and cycling connections between Warringah Mall, Brookvale and Dee Why;
- working with councils to identify suitable locations for housing and employment growth, which are coordinated with infrastructure delivery and transport services; and
- 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 Middle Harbour.

A new 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 three 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 three existing councils and the projected performance of the new proposed entity is provided in Figure 4.





In addition, while IPART found each of the three councils satisfy 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 new council in a better position to advocate to the NSW and Australian governments for the investments that will be needed for the future.

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

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Figure 4: Council profiles

	Manly Council	Mosman Council	Warringah Council (part)	New Council
				
Population (2014)	44,786	30,276	77,946	153,008
Area	14 sq km	9 sq km	26 sq km	49 sq km
IPART Rating	NOT FIT	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)	\$64.3m	\$44.3m	\$78.5m	\$226.8m (projected 2019-20)
Operating Result (2013-14)	\$4.6m	\$6.3m	\$8.7m	+\$6.6m projected improvement to 2019-20 operating results
Asset Base	\$363.6m	\$240.7m	\$141.8m	\$0.7bn
Infrastructure Backlog	0 per cent	.4 per cent	2 per cent	2 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.

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BENEFITS, OPPORTUNITIES AND IMPACTS

The proposed merger has the potential to generate \$72 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.

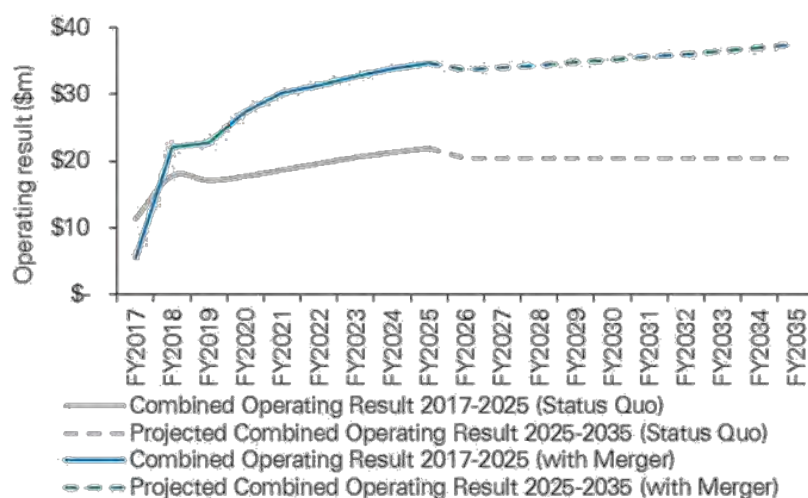
Financial Benefits of the Proposed Merger

Analysis by KPMG in 2015 shows the proposed merger has the potential to generate a net financial savings of around \$47 million to the new council over 20 years. Council performance will also be improved with a projected 38 per cent increase in annual operating results achieved within 10 years. The proposed merger is also expected to generate, on average, around \$4 million in savings every year from 2020 onwards.⁶⁶

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 5 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 three councils.

Figure 5: Projected operating results of the Manly, Mosman Municipal 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 expenditure on 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 (\$42 million);
- efficiencies generated through increased purchasing power of materials and contracts (\$12 million); and
- a reduction in the overall number of elected officials that will in turn reduce expenditure on councillor fees (estimated at \$2 million).⁷

⁶⁶ Due to boundary adjustments in this proposed merger, the estimated benefits and costs are apportioned based on population in each proposed new council area.

⁶⁷ NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

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In addition, the NSW Government has announced a funding package to support merging councils which would result in \$25 million being made available should the proposed merger proceed.

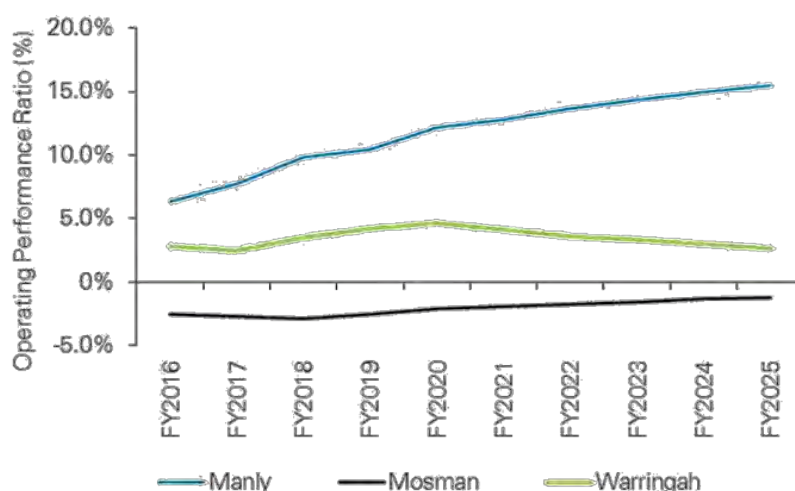
The implementation costs associated with the proposed merger (for example, information and communication technology, office relocation, workforce training, signage, and legal costs) are expected to be surpassed by the accumulated net savings generated by the merger within a three-year payback period. 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 could be redirected towards infrastructure renewal or capital works including improved walking and cycling connections across the area. Redeployment of savings could lead to cumulative additional infrastructure expenditure of \$47 million over 20 years;
- enhance service delivery – removal of duplicate back office and administration functions could provide the basis for employing an additional 37 staff for frontline services. This could include services such as youth support, libraries and parks maintenance; 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 6.⁸

Figure 6: 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).

This merger proposal will provide the new 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 new council through:

- net financial savings of around \$47 million to the new council over 20 years;
- a forecast 38 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 \$261 million per year by 2025;
- an asset base of approximately \$736 million to be managed by the merged council;⁹ and

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.

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- greater capacity to effectively manage and reduce the 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 \$12 million infrastructure backlog across the three councils. Examples of local priorities that could be funded by merger-generated savings include projects and plans like:

- improved sporting and surf club facilities, beach parking and increasing the availability of sporting grounds
- improved walking and cycling connections between Warringah Mall, Brookvale and Dee Why;
- transport improvements throughout the area including the opportunity to increase community bus services like Manly's Hop Skip and Jump service;
- investment to maintain and renew seawalls, ocean and harbour public pools, coastal walkways and other key coastal infrastructure throughout the area;
- support for the delivery of masterplans in Dee Why, Brookvale, Manly and Mosman which includes projects to update street frontage, create more pedestrian-friendly areas, upgrade or replace libraries, and improve the transport along the Spit and Military Roads corridor.

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 Manly, Mosman Municipal and Warringah residents and businesses. Manly Council, Mosman Municipal 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 business across the Manly, Mosman and the Southern Warringah area will have just a single local council regulatory framework to understand and comply with;
- the compliance burden for a café owner with multiple outlets across neighbouring suburbs (currently in different council areas) will be reduced and simplified; and
- Sporting organisations and surf lifesaving clubs will more effectively work with Council to maintain, upgrade, renew and increase sporting facilities, playing fields and life saving infrastructure.
- 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.
- regular beach users would access a single beach parking system from Manly to Dee Why.

Impact on Rates

Each of the three councils is currently seeking, or has recently received approval for, rate increases to meet local community and infrastructure needs:

- Manly Council intends to request an SRV of 2.2 per cent over a one year period in 2017–18;
- Mosman Municipal Council has an approved SRV of 10.6 per cent over a one year period in 2015-16; and

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

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

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- 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.

In addition, the proposed merger will bring together a range of residential and business premises across the area, providing the new 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 across the existing three councils.

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

Council	Business rating assessments		Residential rating assessments	
Manly Council	1,164	6%	17,493	94%
Mosman Municipal Council	598	5%	12,599	95%
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 Manly and Mosman Municipal councils is markedly similar. This reflects the similarity in resident populations and number of councillors. The Warringah Council ratio is very different, reflecting a higher resident population. While the proposed merger will increase 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 new 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 new 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 a new council will be sought through the consultation process.

Table 2: Changes to local representation in Manly, Mosman and Warringah

Council	Number of councillors	Number of residents (2014)	Residents per councillor
Manly Council	9	44,786	4,976
Mosman Municipal Council	7	30,276	4,325
Warringah Council	10	155,289	15,529
Merged council	10*	153,008	15,301
Blacktown City Council	15	325,139	21,676

* Manly, Mosman 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 new council will be in a position to use its larger scale and capacity to advocate more effectively for the needs of the Manly, Mosman and Warringah communities. As the new 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, urban planning and development, and tourism.

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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 Manly, Mosman and the southern part of the Warringah area share common characteristics and connections. The proposed new 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 council brings together Manly and Mosman Municipal councils, and the southern part of Warringah Council. The proposed boundaries for the new council draw on natural features. The eastern edge borders the Tasman Sea and the southern edge borders Sydney Harbour. The western boundary follows the western edge of Beacon Hill and the Manly-Warringah War Memorial Park, and the northern edge follows the suburb boundaries of Allambie Heights, Beacon Hill, Narrabeena and Dee Why. A map depicting the detail of the boundaries of the new council can be found on page 3 of this document.

The proposed council area includes large expanses of national parks, beaches and reserves. Much of the area is also surrounded by water including Middle Harbour, Dee Why Lagoon, and the Tasman Sea.

The management of issues where catchment areas, parklands and other important environmental assets – such as the Manly Dam – span across council boundaries will be improved through the establishment of a single council. This will remove unnecessary impediments to environmental management and promote more effective coordination of regional resources.

While the natural environment is an important asset for the area's residents and visitors, it also poses particular issues of maintenance and management for councils, due to issues such as coastal erosion, flooding and bushfires.

Local Economy

The local economy¹¹ is characterised by:

- above average household incomes compared to the Sydney metropolitan average of \$89,210, with average incomes in Manly \$117,784, Mosman \$122,645, and Warringah \$101,173;
- low rates of unemployment which are below the Sydney metropolitan average of 5.4 per cent, with rates in Manly 2.0 per cent, Mosman 3.0 per cent, and Warringah 3.0 per cent;
- moderate growth in total employment with each of the three councils registering growth above 1.2 per cent, but below the Sydney metropolitan average of 1.6 per cent;
- a highly educated population with the proportion of residents with post-school qualifications higher than the Sydney metropolitan average of 59 per cent, with levels in Manly 73 per cent, Mosman 75 per cent, and Warringah 65 per cent; and
- a similar industry composition across all three council areas with professional scientific and technical services the largest sector in each council. Businesses across the council areas are also particularly active in the property and business services, hospitality, international education, health care, recreation and tourism sectors.

The new council for the area will be well-placed to support the professional, scientific and technical services sector. While the suburb of Brookvale is the largest employment centre on the Northern Beaches, it is a relatively modest town centre in terms of scale. However, the area is well connected to the Sydney Central Business District (CBD).

¹¹ Unless otherwise specified, references are to the existing whole Local Government Area of Auburn City, The Hills Shire, Hornsby Shire and Parramatta City councils.

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The NSW Government's Household Travel Survey highlighted that the majority of trips across the three council areas are for social and recreation purposes.¹² The majority of residents in Manly (70 per cent), Mosman (73 per cent) and Warringah (51 per cent) travel outside of the area to work, with a significant number travelling to Sydney's CBD.¹³

While residents typically commute to a workplace outside the area, the area is relatively self-contained in relation to:

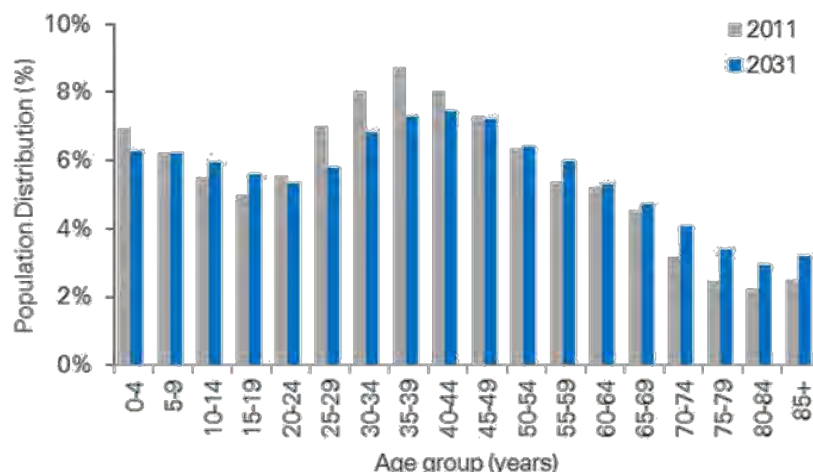
- health services, especially through Mona Vale Hospital and Manly Hospital, as well as the soon-to-open Northern Beaches Hospital;
- education services, for example the Northern Beaches campus of the Northern Sydney Institute of TAFE NSW and the large number of private colleges across the area; and
- extensive retail services, through major outlets such as Westfield Warringah Mall, Dee Why Grand Shopping Centre, as well as the iconic tourist and retail strip at Manly Beach.

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

Population and Housing

The new council will be responsible for infrastructure and service delivery to more than 179,000 residents by 2031. Like most regions across NSW, the Manly, Mosman and Warringah area will experience the impacts of an ageing population over the next 20 years (Figure 7).

Figure 7 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 comparison with the rest of Sydney, the Manly, Mosman and Warringah communities are relatively advantaged from a socio-economic standpoint. The Socio-Economic Index for Areas (SEIFA) illustrated in Figure 8, measures a range of factors to rate an individual council's relative socio-economic advantage. Each of the councils in the Manly, Mosman and Warringah area has similar socio-economic profiles with

¹² Transport for NSW, Bureau of Transport Statistics, Household Travel Survey Data 2012-13, released November 2014.

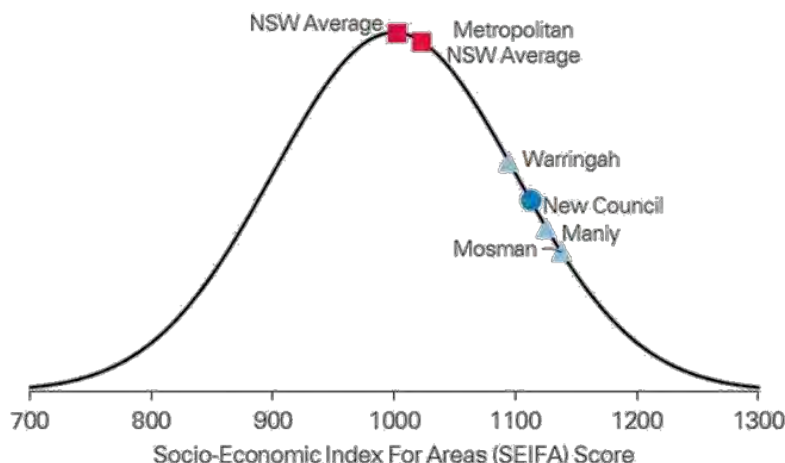
¹³ profile.id, Warringah Council and Manly Council, Community profile, .id, the population experts.

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SEIFA scores that are above the State and metropolitan averages. This reflects the common characteristics across the community in relation to, for example, household income, education, employment and occupation.

Figure 8: Comparison of councils' socio-economic profile



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

The current mix of housing types in the area are fairly evenly spread across separate housing and medium and high density housing and this is consistent in each council area. 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 over the next fifteen years. 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.

Shared Community Values and Interests

These communities are bound by their sense of place on Sydney's northern coast. Box 2 provides examples of community organisations, services and facilities that have a presence across the area, which indicate the existence of strong existing 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:

- the Manly-Warringah Sea Eagles are a Rugby League team with support across the region, and who are based at the Brookvale Oval in Warringah;
- Warringah Council's Children's Services – which also manages Manly Council's family day care service;
- Northern Beaches Lifeline, which is a counselling and crisis support service provided through Northern Beaches Lifeline and serviced by volunteers from across the area;
- Surf Life Saving Australia (Northern Beaches Branch), which is a volunteer-based organisation that seeks to provide a safe beach environment across the area;
- Radio Northern Beaches, a community-based radio station serving the Northern Beaches area, which airs programs predominantly made and presented by local residents; and
- Northern Beaches Community College, which is a not for profit business which provides a wide range of adult educational programs at affordable rates to communities across the area.

The Manly, Mosman Municipal and Warringah councils have already been collaborating in a number of ways, for example through:

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- membership of Shore Regional Organisation of Councils (SHOROC) on issues such as waste management and ground water research;
- SHOROC also facilitated negotiations with the NSW government to achieve a commitment to improving Northern Beaches transport infrastructure. This included advocating for investment in improved transport linkages for the Northern Beaches Hospital precinct and scoping studies for Bus Rapid Transit corridors in the area. This highlights the value of effective regional collaboration and a strong, regional voice for the communities of the Northern Beaches; and
- Manly and Mosman councils are both members of The Manly Mosman North Sydney Bushfire Management Committee, which is currently developing a new Bushfire Risk Management Plan for 2015–20.
- Manly and Warringah councils are both members of the Manly Lagoon Catchment Committee that manages Manly Dam and flood mitigation initiatives for the area.

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

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CONCLUSION

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

- a \$72 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 38 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 \$25 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 \$4 million every year from 2020 onward;
- greater capacity to effectively manage and reduce the \$12 million infrastructure backlog across the three 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 interests 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.

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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 section 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

ATTACHMENT 2

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For more information visit:
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