

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.

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



Seating Arrangements for Meetings

Executive
Manager

Minute
Taker

General
Manager

**Mayor
Jean Hay AM
presiding**

Deputy
General
Manager

Deputy
General
Manager

Clr Cathy Griffin

Clr Hugh Burns

Clr Barbara Aird

Clr Alan Le Surf

Clr Candy Bingham

Clr Steve Pickering **Deputy Mayor**

Clr Adele Heasman

Clr James Griffin

Press

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Chairperson: The Mayor, Clr Jean Hay AM

Deputy Chairperson: Clr Steve Pickering

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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*

General Managers Division Report No. 8 (Cont'd)

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.

Result1. 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

General Managers Division Report No. 8 (Cont'd)

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%.
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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

General Managers Division Report No. 8 (Cont'd)**Strategic Capacity ✓**

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)

General Managers Division Report No. 8 (Cont'd)**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.

Staff Engagement

A significant number of Council staff live on the Northern Beach and are as much a part of the Manly community as those who live and work here.

In a separate survey on merger options, almost 200 staff responded and of these, 85% would not support a mega council option if merger was forced.

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

ATTACHMENTS

AT- 1	1.The General Manager's Report to the 30 March 2015 ExtraExtraordinary Meeting of Council	11 Pages
AT- 2	2. Councils Response to Independent Pricing and Regulatory Tribunal (IPART) on its Fit for the Future assessment methodology	8 Pages
AT- 3	3. Background to the NSW Government's Fit for the Future Program	3 Pages
AT- 4	4. Using a Joint Organisation to achieve scale - SHOROC	2 Pages

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***** End of General Managers Division Report No. 8 *****

²⁸ Ibid 1

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.

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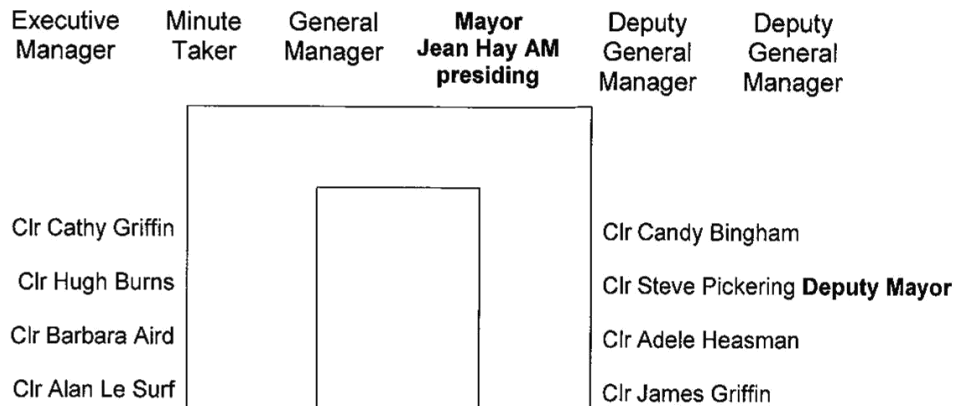


ATTACHMENT 1

General Managers Division Report No. 8.DOC - Manly Council's Report on the NSW Government's Fit For the Future program

1.The General Manager's Report to the 30 March 2015 Extraordinary Meeting of Council

Seating Arrangements for Meetings



Press

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Addresses

Public Gallery

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

ATTACHMENT 1

General Managers Division Report No. 8.DOC - Manly Council's Report on the NSW Government's Fit For the Future program

1.The General Manager's Report to the 30 March 2015 Extraordinary Meeting of Council

EXTRAORDINARY MEETING

30 MARCH 2015

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ATTACHMENT 1

General Managers Division Report No. 8.DOC - Manly Council's Report on the NSW Government's Fit For the Future program

1.The General Manager's Report to the 30 March 2015 Extraordinary Meeting of Council

EXTRAORDINARY MEETING

30 MARCH 2015

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

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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characteristics of the community. Therefore, any process that ignores these determinants in relation to population is flawed.¹

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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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 copy 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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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



25/5/2015

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

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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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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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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.

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.

- 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.

ATTACHMENT 4

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4. Using a Joint Organisation to achieve scale - SHOROC

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