



Extraordinary Council Meeting Agenda

Agenda: *Extraordinary Council Meeting*

Date: *Monday 29 June 2015*

Time: *6.00pm*

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1. Leave of Absence and Apologies
Note: Leave of absence has previously been granted to
 - Councillor Peter Cavanagh for the period from 16 June 2015 to 20 July 2015
 - Councillor Toni Zeltzer for the period from 22 June 2015 to 29 June 2015
2. Declarations of Interest
3. Late Correspondence
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4. General Manager and Officer's Report

Item No:	4.1
Subject:	FIT FOR THE FUTURE SUBMISSION TO IPART
Author:	Stephen Dunshea, Director - Corporate Services
Approver:	Gary James, General Manager
File No:	15/85027
Reason for Report:	To seek adoption of Council's Fit for the Future submission to the Independent Pricing and Regulatory Tribunal

Recommendation:

- A. THAT Council adopt the Fit for the Future submission presented with this report, noting that the report demonstrates the Council is Fit for the Future against the Independent Pricing & Regulatory Tribunal (IPART) assessment criteria.
- B. THAT the submission be lodged with IPART by 30 June 2015.
- C. THAT it be noted the Council's adopted position reflected in the submission is to pursue Woollahra Council remaining a stand-alone Council after considering a range of merger options.
- D. THAT the Council continues to pursue its very strong opposition to any forced amalgamation of Woollahra Council.
- E. THAT the Council's submission be provided to The Member for Vaucluse, the Hon. Gabrielle Upton MP, The Member for Sydney, Alex Greenwich, and the Federal Member for Wentworth, the Hon. Malcolm Turnbull MP.
- F. THAT a copy of the submission also be provided to the Mayors of Randwick, Waverley, Botany Bay and City of Sydney Councils.
- G. THAT the General Manager be authorised to make any minor amendments to the submission prior to lodgement.
- H. THAT Council's appreciation and thanks be extended to Professor Gary L. Sturgess for his work in authoring Woollahra Council's Existing Structure Fit for the Future Business Case and for his attendance at Council's Extraordinary Meeting on 29 June 2015.

Background:

The NSW State Government released its *'Fit for the Future'* Local Government Reform Program in October 2014. Fit for the Future is the government's response to the final reports of the Independent Local Government Review Panel (ILGRP) and Local Government Acts Taskforce, both of which were released in January 2014.

This report to the Extraordinary Council Meeting of 29 June 2015 focusses on the State Government's response to the ILGRP's recommendations for council amalgamations and the requirement for all councils in NSW to prepare a '*Fit for the Future*' submission to be lodged by 30 June 2015 for assessment by the Independent Pricing & Regulatory Tribunal (IPART).

The State Government requires all councils to lodge either a Merger Proposal (Template 1) or Existing Structure Improvement Proposal (Template 2) Fit for the Future submission having consulted with their communities on the ILGRP's recommendations for amalgamation.

As previously reported, the ILGRP's recommendation for Woollahra Council is that it be amalgamated with the City of Sydney, Randwick, Waverley and Botany Bay Councils to form a new 'Global City' Council for Sydney. The Government has stated that other amalgamation options will be considered that are 'broadly consistent' with the ILGRP's recommendation.

Consistent with Council's previous resolutions on this matter, the Fit for the Future submission presented in this report is Woollahra Council's proposal to remain a stand-alone council. Council's decision to prepare this stand-alone proposal is based on the findings of extensive research undertaken since the release of the Fit for the Future program which has concluded that there are no tangible benefits for the Woollahra community under any of the following amalgamation options investigated:

- Woollahra, Randwick, Waverley, Botany Bay and City of Sydney
- Woollahra, Randwick and Waverley
- Woollahra and Waverley Council
- Woollahra and the City of Sydney

Research conducted that supports Council's stand-alone proposal includes:

- National and international research from Professor Percy Allan & Associates presenting data on council size versus efficiency and financial sustainability
- Financial analysis by Grant Thornton Consultants of Woollahra Council's stand-alone proposal versus the four merger options referenced above
- An Independent Financial Sustainability Assessment of Woollahra Council undertaken by NSW Treasury Corporation
- Rates modelling prepared by Randwick City Council with the assistance of Ibis Information Systems Pty Ltd and co-operation of Waverley and Woollahra Councils demonstrating significant rate rises for Woollahra under amalgamation options
- An Infrastructure Management Assessment & Audit by Office of Local Government and PricewaterhouseCoopers
- An independent review conducted by PricewaterhouseCoopers on Woollahra Council's methodology for calculating the value of its infrastructure backlog
- An independent and statistically valid telephone survey of residents conducted by specialist consultants Micromex Research
- An internal review of '*A Plan for Growing Sydney – December 2014*' by the Department of Planning & Environment
- Council's own Long Term Financial Plan and Asset Management Plans
- Specific investigations and research conducted by the General Manager and Senior Council staff.

Woollahra Council's completed Existing Structure Improvement Proposal Fit for the Future submission (Template 2) based on this research material is presented as **Template 2** to this report.

This extensive research material has been consolidated into a Fit for the Future Business Case for Woollahra Council to stand-alone as a financially sustainable, high functioning and community-focused Council that is responsive to the needs of its community. The Business Case has been authored independently by Professor Gary L. Sturgess, NSW Premier's Australia and New Zealand School of Government, Chair of Public Service Delivery at the University of New South Wales, and includes additional research material from Professor Sturgess. The Business Case is presented as **Annexure 1** to Council's Existing Structure (Template 2) submission to IPART.

The following is a list of documents that comprise Woollahra Council's Fit for the Future submission:

Template 2	Fit for the Future Existing Structure Improvement Proposal (Template 2)
Annexure 1	Fit for the Future Proposal – Existing Structure Business Case Authored by: Professor Gary L. Sturgess, Chair of Public Service Delivery, ANZSOG, Professor of Public Service Innovation, Griffith University
Annexure 2	Fit for the Future Research Report March 2015 - Percy Allan & Associates Pty Ltd
Annexure 3	Report on Financial Benchmarks in Relation to Amalgamation Options – April 2015 Grant Thornton
Annexure 4	Fit for the Future Community Surveys Micromex Research - April 2015 and July 2013
Annexure 5	NSW Treasury Corporation Financial Assessment & Sustainability Report – February 2015
Annexure 6	Accounting advice in relation to the methodology used to calculate 'Backlog' in Special Schedule 7 PricewaterhouseCoopers June 2015
Annexure 7	Fit for the Future - Chronology of Community Engagement
Annexure 8	Rates Modelling (Extract) Randwick City Council assisted by IBIS Information Systems Pty Ltd February 2013
Annexure 9 Confidential	Kiaora Lands Leasing Strategy Note: this was previously provided to Councillors as a Confidential Annexure to report in August 2013 and is not reproduced for this report to Council.

Report:

Woollahra Council's Existing Structure Council Improvement Proposal (Template 2) and supporting Business Case (Annexure 1) demonstrates that Council is Fit for the Future against IPART's assessment criteria. Our submission contends that Woollahra Council with a population of around 58,000 and estimated to rise to 67,800 by 2031 has sufficient scale for optimising efficiency and that there are no efficiency gains to be derived from any of the merger options investigated, including the recommended Global City.

Council's supporting Business Case, authored by Professor Gary L. Sturgess after examining research material prepared by Professor Percy Allan & Associates, Grant Thornton Consultants, NSW Treasury Corporation and Council, presents an independent assessment of Council's structure, capacity and performance against IPART's assessment criteria including the following 10 key elements of strategic capacity referenced in IPART's Assessment Methodology.

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

Professor Sturgess' report conclusively demonstrates that Woollahra Council is Fit for the Future against the threshold criteria of scale & capacity and references Grant Thornton Consultant's independent assessment that Council achieves the seven quantifiable performance benchmarks. As indicated below, Council meets five (5) of the seven (7) performance benchmarks now and will meet all 7 by June 2016:

- | | |
|---|--------------------|
| • Operating Performance Ratio | Achieved June 2016 |
| • Own Source Revenue | Achieved now |
| • Building and Infrastructure Renewal | Achieved June 2015 |
| • Infrastructure Backlog Ratio | Achieved now |
| • Asset Maintenance Ratio | Achieved now |
| • Debt Service Ratio | Achieved now |
| • Real Operating Expenditure per Capita | Achieved now |

Council achieves all of these benchmarks four (4) years ahead of the State Government's target date of June 2020.

Grant Thornton Consultants independent financial analysis concluded that none of the amalgamation options achieve all seven (7) benchmarks by June 2020, with all failing to meet the Building and Infrastructure Renewal Ratio benchmark of greater than 100%.

Council's submission most importantly draws IPART's attention to the significant adverse consequence for Woollahra ratepayers that would arise from amalgamation. As we clearly articulated in the Template 2 Proposal and supporting Business Case, there is no avoiding significant and unfair rate increases for Woollahra ratepayers under current rating legislation due to the disproportionately high land values in the Woollahra LGA.

As previously advised to Council, and communicated to residents, the rates modelling prepared by Randwick Council demonstrates that the best case (Base Rate Structure) scenario under a Randwick, Waverley, and Woollahra merger is a 22% rate increase for Woollahra. This would fund a 14% rate decrease in Randwick and is a direct consequence of the significantly higher land values in Woollahra compared to the Waverley and Randwick LGAs.

Further, due to population and proportional councillor representation numbers under a merged Randwick, Waverley, Woollahra model, our community's ratepayers would see rate increases in the order of 50% under the most likely rating scenario (Minimum Rates Structure), noting that both Randwick and Waverley currently retain minimum rating structures. Our submission highlights our grave concerns over these significant and unfair rate rises, and in particular the impact they will have on pensioners in our community.

We strongly argued in our submission that IPART would never approve rate increases at these levels for a financially sustainable council such as Woollahra under the Office of Local Government's guidelines for Special Rate Variation applications.

We also point out that by increasing rates in Woollahra to fund a decrease in rates at an equally financially sustainable council as Randwick does nothing to address the bigger picture of local government reform. It is simply a redistribution of income and benefit – which is not the role of State or Local Government.

Council acknowledges that alternate rating structures were modelled by Randwick Council that specifically sought to minimize the impact of rate increases for Woollahra under amalgamation. The model promoted by both Randwick and Waverley as the preferred model suggested a 70% base rate capped at six times the base. This resulted in an increase for Woollahra of 7.75%, an increase for Waverley of 5.81% and a decrease for Randwick of 7.55%.

Both aspects of this proposal are not permitted, in that the legislation restricts the base amount to 50% and there is no legislative provision to cap rates to a maximum.

Council is not aware of any indication from the State Government of their intention to change rating legislation that would protect our residents from these unfair and unacceptable increases. It is also argued that any change to legislation would be targeted at a more equitable distribution of rates and not aimed at protecting ratepayers in wealthier communities.

Our submission also highlights the Woollahra community's overwhelming opposition to amalgamation on the basis of loss of local identity, reduced local representation, and the impact of rate increases as previously discussed. Woollahra Council has listened to community concerns and is responding accordingly through its submission.

Council is aware that Randwick and Waverley Councils are proposing a voluntary merger as an alternate to the ILGRP's Global City recommendation. In doing so, Waverley Council have asserted that the merger would benefit more from the inclusion of Woollahra Council. Woollahra Council has rejected any proposal to join this voluntary merger as it considers that Waverley and Randwick Councils' estimates of efficiency saving under the merger are not achievable and in any event, do not justify the unacceptable rate increases that would result from Woollahra Council's inclusion in the merger proposal.

Council's Fit for the Future research also included a review of Randwick Council's Options Analysis and supporting documentation with particular focus on the estimated value of the claimed benefits to be derived from a merger.

The service cost modelling in the analysis indicates that efficiencies of \$17m per year could be secured by applying Randwick's service unit costs to Woollahra. On a cost base of \$68m (derived from the report), this suggests savings in the order of 25%.

To suggest that efficiency gains of 25% are available in a \$68m budget raises doubts over the reliability of the modelling. Around 50% of the \$68m is directly related to employee costs. Since employee costs are protected by legislation for three years, and Randwick and Waverley have agreed to protect them for a further two years, the \$17m saving can only be achieved against non-employee costs.

Applying the purported \$17m savings against non-employee costs of \$34m is in fact a forecast 50% efficiency saving. Council contends that this is simply not achievable.

Council also contends that bringing Woollahra in as an unwilling partner to Randwick and Waverley's proposed amicable voluntary merger would simply not work.

Conclusion:

Council's Fit for the Future submission presented in this report has been prepared in accordance with Council's adopted position to pursue it remaining a stand-alone Council on the basis that:

- There is overwhelming community opposition to amalgamation and Council has responded to that opposition
 - 91% support keeping our local identity
 - 81% want Woollahra to remain a stand-alone council
 - 80% oppose any forced amalgamation
- There are no tangible benefits for Woollahra residents under amalgamation that cannot be delivered, or that are already being delivered under the current structure.
- NSW Treasury Corporation has confirmed that Woollahra is financially sustainable now and into the future
- Woollahra meets five (5) of the seven (7) Fit for the Future quantifiable measures now and will meet all seven (7) by June 2016. This is three (4) years ahead of the 2020 target date.
- Independent financial analysis indicates that none of the merger options achieve all seven (7) Fit for the Future measures.
- Amalgamation will result in significant and unacceptable rate rises for Woollahra ratepayers under current legislation with those increases funding rate decreases in Randwick
- Pensioner rates will increase as they are not protected under current rating legislation
- There is clear evidence in the State Government's 'A Plan for Growing Sydney – December 2014' that target infrastructure works for the Sydney Central Region are not in the Woollahra LGA and it is highly likely that additional funds generated through significant and unfair rate increases for ratepayers in Woollahra will be redirected under amalgamation to Randwick to progress major infrastructure projects

Professor Gary L. Sturgess will be in attendance at the Extraordinary Meeting on Monday 29 June to discuss Council's Fit for the Future submission in details with Councillors.

Annexures

1. Template 2 - Fit for the Future Existing Structure Improvement Proposal
2. Annexure 1: Fit for the Future Proposal - Existing Structure Business Case by Prof Sturgess

3. Annexure 2: Fit for the Future Research REport March 2014 - Percy Allan & Associateion Pty Ltd
4. Annexure 3: Report on Financial Benchmarks in Relation to Amalgamation - Grant Thornton
5. Annexure 4: Fit for the Future Community Surveys Micromex
6. Annexure 5: NSW TCorp Financial Assessment February 2015
7. Annexure 6: PWC - Special Schedule 7
8. Annexure 7: Fit for the Future - Chronology of Community Engagement
9. Annexure 8: Rates Modelling (Extract)