

Template 2

Fit for the Future

Council Improvement Proposal

(Existing structure)



Office of
Local Government



Council name: Leichhardt Municipal Council

Date of Council resolution endorsing this submission: 23 June 2015 (Minute No. C296/15)

1.1 Executive Summary

As required by the NSW Government, Leichhardt Council has considered the terms of the proposed merger of six (6) Inner West councils as recommended by the Independent Local Government Review Panel (ILGRP) and has consulted with its community.

Leichhardt Council is supportive of local government reform and has formally endorsed all but a few of the recommendations advanced by the ILGRP. Council's response to the ILGRP's final report in March 2014 is provided for background information at **Attachment A**.

However, Council remains firmly opposed to forced council amalgamations –instead supporting local government reform initiatives through regional and sub-regional resource sharing/strategic alliances and sector-wide coordination. Accordingly, Leichhardt Council proposes to remain a stand-alone council on the following grounds:

- The proposed amalgamated Council will not be as financially sustainable after 10 years as Leichhardt Council stand alone. Independent modelling by consultants Morrison Low (**Attachment B**) found that an amalgamated inner west council will only meet 4 of the 7 Fit for the Future benchmarks after 10 years and is therefore not "Fit for the Future".
- The exemplary financial position of Leichhardt Council both now and in the future. In this regard, Council will meet all 7 Fit for the Future benchmarks in 2015/16. Council's superior financial performance has been independently confirmed by the NSW Government's own Treasury Corporation (TCorp), Morrison Low and in our recent modelling for the Long Term Financial Plan.
- Council meets the scale and capacity elements as defined by the Independent Review Panel notwithstanding that its population is below the arbitrary population target of 342,000 for a new Inner West Council formed by the merger of

Leichhardt with Ashfield, Burwood, Canada Bay, Marrickville and Strathfield Councils. In this regard, independent modelling and the overall business case show that the superior option for Leichhardt Council is to remain a stand-alone council into the future.

- The excessive costs to be borne by the ratepayer of any amalgamation without a commensurate increase in service levels. Independent research undertaken for Council by industry experts Morrison Low found that the costs of amalgamation will be 5 to 6 times more than the NSW Government is offering and the shortfall is estimated at upwards of \$70 million – these costs will have to be passed on to ratepayers in any merged council proposal.
- Amalgamations won't provide for improved services largely because of the unsustainable financial position of the new merged council. In some cases, services might have to be reduced or a rate increase sought to maintain service standards.
- A loss of sense of identity and place in Leichhardt as it is merged with neighbouring Councils that do not share a similar sense of community (i.e. no shared community of interest).
- A loss of representation in local government matters as it will be much harder for the community to effectively engage with councillors. Each new councillor will, because of the very large population, be representing the equivalent of almost 23,000 people - compared to less than 5,000 currently for Leichhardt Councillors. This is the equivalent, under a new Inner West Council, to approximately 2.5 councillors (rather than the current 12 councillors) for the entire Leichhardt population of almost 57,000 people.
- A lack of international and national evidence cited by either the Independent Review Panel or the NSW Government supporting the claims that local government amalgamations result in cost savings to the community or are more financially sustainable than stand-alone councils. This is supported by the work of local government expert Professor Brian Dollery from the University of New England¹.
- The Leichhardt community is overwhelmingly opposed to any merger and supports a stand-alone position for Council (details contained within **Attachment C**).

¹ Dollery, B. E., Kortt, M. and Grant, B. *Funding the Future: Financial Sustainability and Infrastructure Finance in Australian Local Government*, Sydney, Federation Press, 2013; Dollery, B. E., Grant, B. and Kortt, M. *Councils in Cooperation: Shared Services and Australian Local Government*, Sydney, Federation Press, 2012; Dollery, B. E. Garcea, J. and LeSage, E. (eds.), *Local Government Reform: A Comparative Analysis of Advanced Anglo-American Countries*, Cheltenham, Edward Elgar, 2008; Dollery, B. E., Marshall, N. A. and Worthington, A. C. (eds.) *Reshaping Australian Local Government: Finance, Governance and Reform*, Beijing, Peking University Press, 2008; and Dollery, B. E. and Robotti, L (eds.), *The Theory and Practice of Local Government Reform*, Edward Elgar, Cheltenham, 2008.

Accordingly, Council in responding to the Fit for the Future program has determined to complete a stand-alone Council Improvement Proposal (Existing Structure). This proposal provides the business case for how Council will remain “fit for the future” as a stand-alone council. This is the superior position supported by independent consultants Morrison Low.

Leichhardt Council meets all the financial sustainability benchmarks of the Fit for the Future criteria. Recognised as one of NSW’s top Councils, TCorp confirmed Leichhardt Council as in the top 10 per cent of councils in NSW for financial performance (TCorp 2013). The NSW Government also recognised Leichhardt’s strong asset management (Local Government Infrastructure Audit 2013) and strong performance in governance and organisational best practice (Promoting Better Practice Review 2015).

Importantly, Council will meet all the 7 Fit for the Future benchmarks by 2015/16. This will be achieved by Council using its own resources and is not reliant on increased borrowings, a special rate increase or any reduction in service levels/offers. Principally, the benchmarks will be achieved through a continued priority towards sustainable asset management along with a targeted internal efficiency program known as “Living within its means” initiated by Council in late 2013. This program is consistent with Council’s Community Strategic Plan (*Leichhardt 2025+*) which has as one of its objectives to ensure “Our staff, financial resources, business processes, services and assets are managed efficiently and effectively to ensure their sustainability.” (<http://www.leichhardt.nsw.gov.au/About-Council/Plans-Policies-Pubs/Strategic-Plans/Leichhardt-2025>; page 31).

As an alternative to amalgamations, and to achieve effective regional/sub regional advocacy and shared service efficiencies extending beyond current procurement alliances, Leichhardt Council supports and is proposing a Joint Organisation (JO) model – providing increased strategic capacity and improved financial sustainability through:

- A regional entity to oversee broad direction, advocacy and strategic planning
- A shared services arrangement to oversee development of shared services, joint procurement and other operational activities – requiring councils to delegate a range of services to a regional entity.

A Joint Organisation model is seen as a genuine and potentially superior option to amalgamations.

More particularly, Leichhardt Council supports, in principle, the Southern Sydney Regional Organisation of Councils (SSROC) ‘Council of Mayors’ proposal submitted in March 2014 to the NSW Government (**Attachment D**).

SSROC comprises 16 Councils from Sutherland in the south to Canada Bay in the north. It has a combined population of 1.5 million residents and Leichhardt Council participates and shares substantial benefits in its many regional /sub regional procurement and

shared services programs.

The intention is that all six (6) councils will work together collaboratively to develop a local Joint Organisation model with a sound business case that will further enhance each council's improvement proposals.

Leichhardt Council has also extensively consulted with its community on the amalgamation proposal. A detailed summary of the Engagement Plan and key outcomes are outlined at **Attachment C**. In summary, surveys reveal that the community is:

- Overwhelmingly opposed to the amalgamation of Leichhardt Council with Ashfield, Burwood, Canada Bay, Marrickville and Strathfield councils as proposed by the NSW Government – depending on the survey employed, the results vary from 61% to 76% of residents not very/not at all supportive of amalgamation.
- Supportive of Leichhardt Council remaining a stand-alone council into the future – again depending on the survey employed, the results vary from 55% to 72% of residents expressing support for council to remain a stand-alone council.

Leichhardt Council rejects the State Government's premise that the 7 financial benchmarks are to be used as the primary Fit for the Future determinants. Much greater prominence needs to be given in the assessment process to other important social, environmental and community considerations such as community opposition to a merger; loss of political governance/local representation; loss of accountability and ability to respond in a timely and appropriate way to local needs; the need for a local council to reflect local values and prioritise local issues; the impacts on existing communities of interest particularly with respect to a loss of identity and place within a new conglomerate and the corporate governance impacts including significant organisational upheaval.

Leichhardt Council is determined to remain a stand-alone and independent Council. This is a position that is overwhelmingly supported by our community. However, should the NSW Government force council amalgamations, Council has resolved that its preferred option is the amalgamation of Leichhardt, Ashfield and Canada Bay Councils. This position is supported by internal modelling that shows this combination of Councils would meet all the Fit for the Future financial criteria, excluding scale, by 2017 and that of all possible merger options, this option would be the best financial benchmark option for Leichhardt LGA residents.

In summary, Leichhardt Council has the appropriate revenue base, ability to deliver projects and leadership qualities required by IPART as an alternative to the ILGRP preferred amalgamation option.

1.2 Scale and Capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel? (*i.e., the Panel did not recommend your council needed to merge or become a Rural Council*).

Yes for Strategic Capacity; No for the recommended population target.

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (see below).

Scale

The starting position for Leichhardt Council in preparing its Fit for the Future proposal was the Independent Local Review Panel's preferred option – that is, the amalgamation of Leichhardt Council with its neighbouring inner west councils, and/or the formation of a strong Joint Organisation.

Leichhardt Council (in partnership with Ashfield, Burwood, Canada Bay and Marrickville councils) therefore commissioned independent consultants to prepare a comprehensive business case outlining the costs and benefits of the proposed merger. This work also identified the social, environmental and governance outcomes on respective councils and their communities. This work was undertaken by independent consultants Morrison Low – these consultants are part of the Technical Advisory Panel approved by the Office of Local Government to assist Council's develop their Fit for the Future proposals.

The Morrison Low Report (provided at **Attachment B**) found that the Independent Review Panel's merger proposal was a less superior outcome for the inner west: that is, the costs far outweigh the benefits of the merger. Specifically, the report found that the merged council would:

- Not meet the Fit for the Future financial sustainability benchmarks now and will not in five years or even in ten years (*i.e.* to 2023). Specifically, three benchmarks are not met by the merged council over the next ten years, including Asset Maintenance;

Asset Renewal and Infrastructure Backlog.

- Force substantial rate rises on owners with higher property values in Leichhardt, City of Canada Bay and Strathfield. The modelling also shows that while business rates in Leichhardt and Marrickville may drop, they would rise significantly in all other council areas.
- Impact existing service levels – requiring decisions on whether to raise all service levels up to the highest benchmark – i.e. increasing costs – or to lower service levels.
- Decrease representation, with one councillor for every 22,413 Leichhardt LGA resident, instead of the one for every 4,692 we have currently
- Cost at least \$70 million more than the \$16.5 million offered by the NSW Government as an “incentive” to amalgamate.

As part of this engagement, Morrison Low Report also provided councils with access to enable councils to model different combinations. This work did not produce a single combination that was superior (or even close) to the Leichhardt stand-alone position.

The independent modelling by Morrison Low clearly demonstrates the diseconomies under all the merger scenarios, thus demonstrating that scale, as measured by an arbitrary population target, does not necessarily lead to community benefits. This is a finding supported by the internationally peer-reviewed literature (see Footnote 1 in the Executive Summary) and our community feedback indicating that they do not want a larger council and are happy to remain stand-alone to ensure our strong financial position is not weakened and residents still have a voice in local decision-making.

The superior option for Leichhardt Council – as noted in the Morrison Low Report and in our Long Term Financial Plan 2015/16-2024/25 - is to remain a stand-alone council.

Based on this business case outcome, Council rejects any arbitrary minimum population target (e.g. in our particular case for the merged Inner West Council 342,000) as a Fit for the Future threshold determinant.

Instead however, Leichhardt Council supports regional and sub-regional resource sharing/strategic alliances and sector wide cooperation (i.e. shared services or Joint Organisations). The JO model for shared services (the Council of Mayors concept) was articulated in both the SSROC's and Leichhardt Council's submission on Revitalising Local Government in March 2014 (See **Attachments A & D**). Leichhardt Council believes this model will achieve further financial gains and improve strategic capacity imperatives – all for the benefit of the Sydney Metropolitan local communities.

Morrison Low undertook some preliminary work on the issue of shared services as part of their engagement. This work demonstrates the greatest opportunities for shared services in the areas of: technical services; works; and support services – HR, IT and Finance. To quote from the Morrison Low report:

“The scale and capacity created in relation to each of these service areas can, under the right circumstances, produce similar levels of efficiency as are available under the merged council scenario.” (p. 55).

Leichhardt Council, as an integral component of its council improvement action plan, intends to work collaboratively with SSROC and its neighbouring Inner West councils to fully develop a sound business case so that a Joint Organisation model delivering more efficient shared services and a stronger partnership with State and Federal Government agencies (for major strategies and projects such as the Metropolitan Strategy, sub regional planning, The Bays Precinct, Westconnex and the like) can be fully developed and implemented.

Leichhardt Council also highlights that any definition of scale must include more than just the resident population. For example, the Leichhardt municipality hosts more than 15,000 workers each day, and many thousands more as a destination (i.e. restaurants, arts and cultural activities, tourists, and visitors). These daily surges in population place significant demands on council (e.g. waste, use of open space and consumption of local Council provided services). The number of residents therefore gives no indication of broader population numbers, the intensity of activity or council's capacity to work with other tiers of government. There is also no evidence that residential population is an indicator of capacity to deliver efficient or effective governance or services.

Strategic Capacity

Leichhardt Council meets all ten (10) elements of strategic capacity (upon which the scale and capacity options are based) as prescribed in the Independent Review Panel's Final Report. Council's detailed responses to how it meets the strategic capacity elements are provided in detail at **Attachment E**. In summary, Leichhardt Council is able to demonstrate:

A robust revenue base and discretionary spending capacity. Council's LTFP and Annual Budget (<http://www.leichhardt.nsw.gov.au/Budget1516> and **Attachment J**) demonstrates Council's sound financial position in the short, medium and long term; our satisfactory revenue generation and our ability to increase discretionary spending in the future (if required) whilst still meeting the 7 Fit for the Future benchmarks.

- Scope to undertake new functions and major projects. The LTFP retains flexibility for new projects in both the immediate and longer terms.
- Ability to employ a wider range of skilled staff. Council's adopted Workforce Plan continues to allow the employment of a

broad range of skilled staff. In addition, attracting and retaining skilled staff has never been an issue for Council given the nature and importance of the work undertaken and positive workplace culture.

- Knowledge, creativity and innovation. This is evidenced by the Office of Local Government's recent Better Practice Review which indicated many areas in which Council is best practice, including strategic and corporate planning, the LTFP and Council's efficiency program (copy within **Attachment E**).
- Advanced skills in strategic planning and policy. Council's continued focus on effective strategic planning and policy development through the recently restructured council and committee system, refocussing committees and key staff on policy development and review.
- Effective regional collaboration. Existing and continuing effective regional collaboration through the Southern Sydney Regional Organisation of Councils (SSROC) (e.g. resource sharing, aggregated procurement and advocacy) and the Sydney Metropolitan Mayors organisation. Further examples of effective regional collaboration include:
 - Council working with 10 Central sub-regional councils to contribute to the NSW Department of Planning's Central Sub-Regional Plan.
 - Council working with the City of Sydney and Urban Growth NSW on the Bays Precinct Urban Renewal Project.
- Credibility for more effective advocacy. Through effective regional collaboration Council has been able to demonstrate effective and credible advocacy. Leichhardt Council is also a well-respected Council and one that leads on financial sustainability, infrastructure management and environmental sustainability.
- Capable partner for State and Federal agencies. This captures Council's proven ability to work with the other tiers of government to deliver essential infrastructure (renewals and expansion projects) and in addressing key emerging issues.
- Resources to cope with complex and unexpected change. This is demonstrated by reference to the following activities:
 - Council holds significant Reserves to manage contingencies as they arise.
 - Council is continuously seeking to improve its use of resources, especially through shared services delivery improvements through the SSROC model. In this regard, significant financial savings have been realised through this shared services model, including: \$25 million per annum across the 16 member councils have been achieved to date; Electricity contracts collectively savings upwards of \$1.3 million in 2014/15; and Landfill tender in 2012/13 pending a new waste disposal facility (Alternative Waste Treatment in 2016/17) provided savings for the 7 participating councils for one year alone of approximately \$18 million (\$850,000 saving for Leichhardt Council).
 - Council's continuous improvement plan and financial strategies will continue to provide adequate resources (financial and non-financial) to meet and manage change.
- High quality political and managerial leadership. Council is well positioned with highly educated, experienced and professional managerial team. The Executive team has in excess of 70 years senior management experience at various tiers of Government.

Social and Community Context

Leichhardt Council remains concerned with the assessment methodology which will be used by the Independent Pricing and Regulatory Tribunal (IPART) to assess whether councils are “fit” or “not fit” for the future – in particular :

Each and every benchmark (other than scale and capacity which are themselves vaguely defined) that will be employed by IPART is a financially based quantitative measure. It is evident that there is little consideration being given in the process to equally important social and community qualitative measures, including:

- Strong community opposition to mergers
- Loss of political governance/local representation
- Impacts on existing communities of interest, particularly with respect to a loss of identity and place within a huge new conglomerate council
- Loss of local accountability and ability to respond in a timely and appropriate way to local needs
- The need for a local council to reflect local values and prioritise local issues
- The proven capacity for the council to effectively engage with its community on important matters – this is an area where Leichhardt Council excels as demonstrated by its award winning Reconciliation Action Plan and its positive engagement with the LGBTQI community. Council’s ability to effectively connect with its community is demonstrated in the 2015 Community Satisfaction Survey that shows that 98 per cent of Leichhardt Residents are pleased with Council’s overall performance, with 89 per cent happy with their quality of life in Leichhardt
- The corporate governance impacts including significant organisational and service delivery upheaval over many years.

The predisposition to financial benchmarks and the seemingly secondary nature being given to social and community context of a council’s future position is a fundamental flaw in the methodology devised by the State Government. Social and community impacts are far too important to be treated as secondary considerations to the financial benchmarks and should take much greater prominence in the assessment process. In this regard, even the Chair of the Independent Review Panel, Graham Sansom, in his submission to IPART (dated 24 May 2015) raises this issue – stating that “... *the ILGRP’s broader package (of structural reform) has been somewhat overshadowed by ... perceived focus on financial ratios and benchmarks.*”

For example, in the Leichhardt context, the proposed amalgamation with our 5 neighbouring councils will lead to a loss of:

- Representation in local government matters as it will be much harder for the community to effectively engage with

councillors. Each new councillor will, because of the very large population, be representing the equivalent of almost 23,000 people compared to less than 5,000 currently for Leichhardt Councillors. This is the equivalent, under a new Inner West Council, to approximately 2.5 councillors (rather than the current 12 councillors) for the entire Leichhardt population of almost 57,000 people.

- Sense of identity and place in Leichhardt as it is merged with neighbouring Councils that do not share a similar sense of community i.e. no shared community of interest especially with respect to our built form and open space heritage.
- Service offerings to the local community and higher rates, given our existing higher levels of service for various functions such as street maintenance/ childcare facilities/ Recreational Centres e.g. Leichhardt Park Aquatic Centre.
- Local culture, local values and prioritisation of local issues.

Leichhardt Council therefore submits that the assessment criteria being used by IPART should not merely focus on the financials – it should give at least equal if not more weight to the many social and community factors involved with the various reform options including amalgamations

The social and community context of amalgamations was also explored in our business case prepared by Morrison Low. Their report (**Attachment B**) concluded that while there are many similarities between inner west councils there are also significant differences, e.g. population density, levels of socioeconomic disadvantage/advantage, household income and wealth. Given these stark differences Morrison Low have argued that a “community of interest” argument cannot be made to support the merger proposal. To quote the Morrison Low Report:

“Ultimately the question is whether a merged council could adequately represent the different communities of interest in the inner west and at this time the question needs to be considered alongside the significant reduction in representation.” (p. 61)

Leichhardt Council concludes that a merged council will force together a diverse mix of communities with broadly varying socioeconomic characteristics – ranging from Leichhardt’s generally higher earning/wealth clusters to Burwood and Strathfield’s generally lower earning households. While diversity of the community is welcomed and valued, spreading this across an LGA of 342,000 residents compared to Leichhardt’s 57,000 residents will inevitably mean a significant reduction or loss of sense of belonging and place.

Our highly valued communities of interest will be lost – demonstrated by Leichhardt residents’ opposition to amalgamation.

Similar diversities exist across the various council planning instruments – again ranging from Leichhardt’s strong heritage controls

and moderated development intensities to Burwood's Regional Centre high rise development centric controls.

The rich and diverse history of the Leichhardt Council harbour fronted suburbs (Lilyfield, Rozelle, Birchgrove, Balmain and Balmain East accounting for well over half the entire LGA) share a natural affinity creating a cultural and social harmony that distinguishes them from their geographical neighbours. This 'peninsula' character distinguishes itself completely differently to the other precincts within a merged Inner West council.

Of most concern is that the significant reduction in Councillor representation under a new Inner West council will not be able to reasonably reflect the diversities of such a large and broad community mix. Additionally the merged council will cross 7 State seats (Balmain, Newtown, Summer Hill, Strathfield, Canterbury, Lakemba and Drummoyne): a disproportionate representative spread at the State level.

Combining all this with a business case that shows our community will be worse off financially under a merged scenario can only lead to one conclusion: the superior option is for Leichhardt Council to remain stand-alone rather than merge with its 5 neighbouring councils.

2. Your council's current position

2.1 About the Leichhardt local government area

The Leichhardt Municipality stands on land that traditionally belonged to the Gadigal and Wangal people of the Eora nation. It is a unique area with a long cultural heritage and a special beauty that comes from its Sydney Harbour location and its old suburb origins.

Leichhardt is one of the oldest municipalities in New South Wales having been incorporated as a local government area in 1871. In 1949 the municipalities of Annandale and Balmain were amalgamated with Leichhardt. In 1967, the boundaries of our local government area were varied to include Glebe and parts of Camperdown. Further in 2003, the boundaries of our local government area were again varied, this time excluding Glebe and Forest Lodge which now fall under the City of Sydney.

The Leichhardt Local Government Area (LGA) includes the suburbs of Leichhardt, Lilyfield, Balmain (including Balmain East), Birchgrove, Rozelle and Annandale and has a population of approximately 56,307 people (ABS Cat. No. 3218.0), situated within an area of 1,003 hectares (11km²).

The key characteristics of the LGA are:

- Leichhardt has a diverse age profile, with increasing numbers of families with children and older people.
- Over the last ten years the LGA has increasingly become an attractive place for young professionals seeking to raise their growing families. This has resulted in a baby boom in the LGA with the 0-4 age group over the last 5 years.
- Leichhardt is also becoming older, with both the proportion of residents aged over 60 years and the LGA's median age increasing, in line with broader national trends.
- Residents are well educated and affluent with a high proportion of professionals and managers, as well as a high average income.
- Leichhardt is known for its Italian residents and culture. Languages other than English spoken at home include Italian (3%), Greek (1.4%), Spanish (1.0%), Cantonese (0.8%) and Mandarin (0.7%).
- Leichhardt residents have a significantly higher participation rate (40%) in interest and/or action groups, compared to a

national average of 18.5%, affirming the high level of social capital in the area, and commitment to achieving the strategic vision of *Leichhardt 2025+*.

A brief snapshot of the Leichhardt LGA is provided below:

General statistics as at the 2011 Census	
Five year population growth	6.2%
Population aged 0-4	8.2%
Population aged <19	11.2%
Population aged >20 <59	64.9%
Population aged >60	15.7%
Aboriginal and Torres Strait Islanders	1.0%
Language Other than English	15.1%
Median age	37
Population density (residents per km ²)	5,250.09
Average Household Size	2.8
Median weekly household income	\$2,234
Access to Internet at Home	81.4%
Socio-Economic Index Rating (1 lowest)	142
Completion of Bachelor or Higher degree	44%

Leichhardt Council – General statistics (Source: Annual Report, 2013-14)

Council creates multidisciplinary teams, working with government, key stakeholder organisations and community members to achieve the community vision contained within *Leichhardt 2025+*. Priorities include:

- Connecting people to each other and to place; Enlivening arts and cultural life (including activating the live music industry, performance and visual arts); Improving health and wellbeing, including through social justice initiatives and Healthy Ageing initiatives; Strengthening community capabilities, including through programs and services for young children and families.
- Creating a liveable place, including integrated planning, reducing private car dependence for all travel, and addressing

issues of affordable housing for key workers.

- Creating a sustainable environment including by Council working to achieve carbon neutrality, and with community commitment to biodiversity, energy efficiencies and waste reduction.
- Supporting thriving businesses through business activation, marketing and promotion, and infrastructure initiatives on the high streets.

Council seeks information from the community, advises the community and involves the community in planning and advisory forums, guided by the Community Engagement Framework. Measured in 2010, over 20% of residents had participated in a community consultation or attended a public or Council meeting, well above the state average of 7.6%.

Council is responsible for the management of a significant range of infrastructure assets. These assets represent an important public investment and are critical to community well-being and safety. These assets include public roads, footpaths, seawalls, bridges, wharves, stormwater drainage networks, parks, reserves, recreational facilities, property and buildings. The combined replacement cost is over \$750 million.

Council has a strong focus on asset management with a dedicated team to deal with asset planning. This team is underpinned by a leading practice Asset Management Plan, Policy and Strategy, with a robust governance framework through the Asset Management Committee. The Asset Management Plan, and in particular the asset renewal program, is based on community accepted service levels and actual condition assessments and is fully funded in the Long Term Financial Plan (<http://www.leichhardt.nsw.gov.au/Budget1516>).

With its focus on asset management (both immediate and longer-term), the Office of Local Government's Infrastructure Audit assessed Leichhardt Council's infrastructure management to be "Very Strong".

2.2 Key challenges and opportunities

Leichhardt Council is well positioned to meet the key challenges and opportunities (Both internal and external) it confronts over the coming decade. These are summarised below:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Sound financial management (independently verified by TCorp and Morrison Low). • Very strong infrastructure management and delivery (supported by the Office of Local Government's Infrastructure Audit). • Continuous business improvement ("Living within its means" efficiency program). • Integrated planning and reporting (evidenced by the Office of Local Government's recent Better Practice Review). • The Long Term Financial Plan which enables Council to meet all 7 Fit for the Future financial benchmarks. • Back-office service delivery e.g. procurement, IT and finance. • Front-line service delivery e.g. library services and recreational facilities compare extremely favourably to similarly sized councils in terms of service offering and usage, and efficiency and effectiveness (Source: <i>Public Library Statistics 2012-13: Public Library Services in New South Wales</i>). • Community consultation and engagement. Council won the prestigious 2012 R.H. Doherty Award for Excellence in Community Consultation – Callan Park Master Plan. • Working collaboratively with councils on a regional and sub-regional basis. 	<ul style="list-style-type: none"> • Rate pegging which constrains Council's ability to match income against community supported spending needs and to meet the cost of inflation (NB: Rate peg decisions in 2014-15 and 2015-16 are below the rate of inflation in the Sydney CBD). • State and Federal Government cost shifting continuing to impose ever increasing financial burdens on local councils. Cost shifting conservatively costs Leichhardt Council an additional \$6 million per annum and these cost are rising.

Opportunities	Threats
<ul style="list-style-type: none"> • Greater resource sharing through SSROC and the formation of a strong Joint Organisation. • Opportunity to undertake back-office functions for neighbouring councils e.g. payroll, finance, HR and procurement. • Opportunity to deliver cross council services e.g. library and recreational facilities. • Implementation of many of the Independent Review Panel's recommendations relating to revenue reform and governance. • Large infrastructure projects impacting the municipality including the Bays Precinct Urban Renewal Project and the Parramatta Road Urban Revitalisation. 	<ul style="list-style-type: none"> • Competitors to local business units (e.g. recreation and aquatic centres). • Further cost shifting from state and federal governments – current cost \$6 million per annum and growing. • Rate peg leading to an inability to meet rising external costs and CPI. • The forced merger of councils with little to no shared community of interest or financial advantage. • Temporary inconvenience to the community with an expanded infrastructure renewals program from 2015/16 onwards. • Broader economic conditions.

2.3 Performance against the Fit for the Future benchmarks

By 2015/16, Leichhardt Council will meet all 7 Fit for the Future benchmarks. Council's achievement of each of these benchmarks are summarised below:

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	4.2%	Yes	1.9%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	86.62%	Yes	89.7%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	77.47%	No	159.9%	Yes

All the Fit for the Future benchmarks on sustainability are being achieved by 2015/16. This is the result of Council committing additional funds to infrastructure renewal in the 2015/16 budgets onwards. These funds are only available due to the commitment of Council to undertake an internal efficiency programme (titled "Living within its means") which is delivering over \$2 million per annum. All of these funds have been dedicated to infrastructure renewal over the 10 year life of the Long Term Financial Plan.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Improve or Meet to less than 2% within 5 years – IPART Final Methodology, June 2015)	7.33%	No	3.9%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	127.78%	Yes	113.8%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.76%	Yes	2.4%	Yes

All the Infrastructure and Service Management benchmarks are met by Leichhardt Council in 2015/16. These benchmarks have been met through good financial discipline and the reallocation of funds to infrastructure renewals over the next few years; funds of approximately \$2 million per annum will be released through Council's internal efficiency program and then reallocated to renewals.

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita <small>A decrease in Real Operating Expenditure per capita over time</small>	Decreasing	Yes	Decreasing	Yes

Leichhardt Council is engaged in a process of continuous business improvement. This program ensures that Council continually evaluates its operations to ensure it is both efficient and effective. Recent evaluations have centred on the following activities: IT (back-office and front-line service delivery); recreational facilities (2 pools, a commercial gym and a Learn to Swim Program); footpath renewal; road maintenance and renewal; and street sweeping, As a result of this ongoing program, Council is easily able to satisfy the efficiency benchmark.

2.4 Water utility performance

Leichhardt Council does not have direct responsibility for water supply and sewerage management. For the Leichhardt Municipality, water supply and sewerage is the responsibility of Sydney Water.

3. How will your council remain Fit for the Future?

Leichhardt Council will meet all 7 Fit for the Future benchmarks in 2015/16. Council will meet all benchmarks by 2015/16 (see **Attachment F**) and this will be achieved by Council using its own resources (reallocated to infrastructure renewals) and is not reliant on external borrowings, a special rate increase or a reduction in service delivery standards. The following strategies will be employed by Council to remain “Fit for the Future”.

3.1 Sustainability

All 3 sustainability benchmarks are achieved by 2015/16 and remain positive over the term of the Long Term Financial Plan (**Attachment J**). The assumptions underpinning this modelling are conservative and are outlined in Council’s Long Term Financial Plan (as well as subjected to sensitivity analysis), including an assumed rate of inflation, wages growth and the like. Further, the modelling assumes no major change in council’s revenue policy or significant new capital expenditure (i.e. expansion projects as opposed to renewals) over the next 4 years.

Further, to remain financially sustainable in the long-term Council will continue to implement, or commence, the following strategies:

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. To remain a financially sustainable council (as defined in the FFF program)	A. Development and Implementation of an Internal efficiency program. This program, which commenced in the 2014-15 Budget, is an annual program. It is based upon well-established industry methodologies and toolkits, including the Australian Business Excellence Framework and reports direct to Council's Senior Management Team.	Savings included in the Annual Budget	Funds released to infrastructure renewals. In the 2015/16 Budget efficiency savings in the order of over \$2 million have been identified and redirected to infrastructure renewal.	Improves infrastructure backlog ratio to achieve benchmark in 2015/16.
	B. Better management of outstanding debt (rates and sundry debtors).	Endorsement of a new policy by Council on rates debt recovery in 2014. Sundry debtor policy in development (Q2 2015).	Ensure recovery of outstanding debts and maintain working capital.	Impacts infrastructure ratios.

		Recoverable figure reported annually in the Efficiency Report to Council in June.		
	C. Maintenance of adequate reserves to ensure delivery of infrastructure program and to meet extraordinary/unbudgeted cost increases.	Reserves reported annually to Council as part of the Annual Budget process.		Impacts infrastructure ratio if reserves are depleted.
	D. Managing employee leave entitlements.	Internal and External Auditors satisfied that sufficient reserves are held to appropriately manage employee leave entitlements into the future.	Adequate Employee Leave Entitlement Reserves as per External Audit Benchmark.	Potential to impact other ratios.
	E. Financial governance.	Quarterly meetings of the Audit and Risk Committee.	Internal audit committee – organisational and budget risks managed.	Potential to impact other ratios.

		External audit report annually.	Accounts reflect a true account of our financial situation.	
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3.2 Infrastructure and Service Management

All 3 infrastructure and service management benchmarks are achieved by 2015/16. The modelling makes very conservative assumptions on cost increases (outlined in Council's Long Term Financial Plan) and includes the already achieved \$2 million in efficiency savings each year being reallocated to renewals. Further, the modelling assumes that the Elected Council maintains a strong focus on renewals as opposed to investing in expansion projects over at least the next four years to maintain benchmarks over the entire LTFP. This is not an unrealistic assumption as this will be made explicit in the adoption of the Annual Budget and LTFP.

Further, to continue to maintain the infrastructure and service management benchmarks in the long-term, Council will continue to implement, or commence, the following strategies:

3.2 Infrastructure and Service Management

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. To ensure appropriate resourcing (project managers) to deliver the expanded infrastructure renewals program	Project Management flexibility.	Annual Delivery program milestones.	Delivery is managed by internal project management unit or external contract project managers.	
2. LTFP and SAMP integration	The Strategic Asset Management Plan is developed in conjunction with the Long Term Financial Plan.	Annual Resources Plan production program.	Consistent planning between infrastructure programs and finances for sustainable assets.	
3. Asset benchmarking	Participation in Yardstick for Parks Assets, and Road and related assets.	Annual data submission and comparison reporting by industry.	Comparative analysis of asset performance and costs at population scale.	Highlights matters for review and improvement.
4. Asset expenditure hierarchy	Renewal for continued service delivery is prioritised over service expansion.	Annual infrastructure works program development.	Assures service from assets is sustained as a priority before expanding service.	

3.3 Efficiency

The efficiency benchmark is achieved by 2015/16. The modelling makes very conservative assumptions on costs, population targets and includes the already achieved \$2 million per annum in efficiency savings each year over the entire 10 year life of the Long Term Financial Plan. Further, the modelling assumes that the Elected Council maintains a strong focus on implementing the recommendations of the efficiency program each year and maintains budget discipline.

Further, to continue to maintain an efficient organisation that achieves the benchmark, Council will continue to implement, or commence, the following strategies:

3.3 Efficiency

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. To ensure Council's continued operations and service delivery functions are delivered in an efficient and effective manner	<p>An annual internal efficiency (business improvement) program.</p> <p>Implementation of the Council's Community Strategic Plan (<i>Leichhardt 2025+</i>) – specifically, Goal 6: Sustainable Services and Assets.</p>	<p>1. An annual efficiency workshop with senior staff (Managers and Directors), externally facilitated.</p> <p>2. Presentation of efficiency opportunities to Council as part of the Annual Budget process.</p> <p>3. Endorsement of efficiency opportunities by Council in June each year.</p>	Reallocation of funds to infrastructure renewals. Target: \$2 million to be delivered annually through the efficiency program.	Infrastructure ratios improved and achieved benchmarks.
2 Delivery of sustainable assets and services to support the community (<i>Leichhardt 2025+</i>)	Implementation of the Council's Community Strategic Plan – objectives, strategies.	Quarterly update to Council on process as part of the progress report on the Delivery	Accountable civic leadership that delivers services and assets to support the community	Impacts all other measures as Council builds a dynamic and innovative organisation

		<p>Program.</p> <p>Develop the business case through SSROC and the 5 neighbouring Inner West councils for a Joint Organisation</p>	<p>now and in the future.</p> <p>Vastly increased shared services for efficiency gains</p>	<p>focused on efficiency, effectiveness and community outcomes.</p> <p>Compatible with other measures</p>
3. Resourcing the Plan	The Annual Budget and LTFP provide funding to deliver on the strategies outlined herein.	Annual Budget process.	Annual Budget adoption in June each year.	Impacts all ratios.

3.4 Improvement Action Plan

Action plan

Actions

Milestones

1. Council endorsement (and then implementation) of the “Living within its means” Efficiency Program (and associated savings initiatives) for 2015/16 and recurrent	Adoption of the Budget at the Ordinary Council meeting on 23 June 2015. The Budget includes a suite of efficiency savings that will release (when combined with those savings already achieved in 2014/15) more than \$2 million per annum. These surplus funds will then be reinvested into infrastructure renewals in order to meet the Infrastructure Backlog Ratio (see LTFP).
2. Council endorsement (and then implementation) of the Asset Management Plan to deliver on the increased infrastructure renewals program in 2015/16 onwards to meet benchmark	Adoption of the Resourcing Strategy (i.e. Asset Management Plan) at the Ordinary Council Meeting on 23 June 2015.
3. Council endorsement of the Workforce Management Plan to ensure Council can resource the infrastructure renewals program in 2015/16 onwards	Adoption of the Resourcing Strategy (i.e. Workforce Management Plan) at the Ordinary Council Meeting on 23 June 2015.
4. Commence detailed business planning for a new Inner West Joint Organisation	November 2015

Council will achieve all 7 Fit for the Future benchmarks in 2015/16. The key improvement actions that will be achieved in the first year of Council's improvement plan are outlined in the table above. Through these actions, Council will continue to ensure it is able to deliver on all 7 benchmarks both now and into the future.

A full listing of the efficiency measures endorsed by Council is provided in Council's 2015/16 Budget. A simple listing of these measures by year is provided at **Attachment G**.

The 2014/15 Budget has already realised \$1.2 million per annum recurrent savings. The 2015/16 Budget incorporates further anticipated savings of approximately \$960K per annum – meeting the recurrent annual efficiency target of \$2 million per annum over the next ten years. Council's Senior Management Team are confident that these measures will achieve their target in each year of the LTFP and has sought and received independent confirmation by consultants Morrison Low that they are achievable and represent a real cost saving to Council's budget.

The process that underpinned the development of the Improvement Action Plan included:

- External consultants facilitated a series of efficiency workshops with Council staff in 2014 and 2015. The purpose of these workshops was to identify efficiency opportunities (i.e. savings) that were sustainable and would not impair/diminish service delivery, and to identify/mitigate any risks associated with each initiative.
- A process of community consultation through the annual budget process, including but not limited to 3 community workshops each year. In addition, the community were extensively consulted on the proposal to submit an application for a Special Rate Variation to fund infrastructure renewals in 2013.
- Council approved a copy of this proposal being made available to the public and invited community comment.

3.5 Other actions considered

Leichhardt Council considered numerous options when preparing its Improvement Action Plan. Some of these options include:

1. Application for a Special Rate Variation (SRV) to fund infrastructure renewal. This proposal was presented to Council in 2013 but was not supported. Councillors were not prepared to support an SRV until such time as the organisation was demonstrably efficient and effective resulting in the “Living within our Means” efficiency program.
2. Council undertook independent financial modelling to ascertain the benefits or otherwise of a merger. The results of this work were clear in that merging councils in the inner west (regardless of which combination was modelled) resulted in significant additional costs to the community. The stand-alone option is the superior option for the community and will deliver the most efficient and effective organisation and thereby ensure important social, environmental and community outcomes are delivered for the benefit of the entire local community.
3. Increase in borrowings to fund infrastructure renewal. While Council has considerable capacity to borrow (i.e. a low debt service ratio), Council is focussed on an internal efficiency program to reallocate funds to renewals rather than imposing any additional costs on the community.
4. A reduction in service levels/standards. Council consulted the community on this matter as part of its SRV deliberations in 2013. This process identified that the community was generally supportive of an SRV and did not want to pursue options like service reductions or asset sales.
5. Development of a detailed business case for a new Inner West Joint Organisation (JO) was considered in the early stages of FFF but put aside when the Independent Review Panel & the NSW Government advised that JOs would not be considered for Sydney Metro Councils. However, Leichhardt Council intends to commence working with its neighbouring Inner West councils to develop a sound business case for a JO – starting with the SSROC model submitted to the NSW Government in March 2014 (**Attachment D**). The development of a business case is now a priority for Leichhardt and its neighbouring councils as part of the next stage of the FFF reforms. JOs, which strategically plan and deliver services on a regional basis, are a superior option to amalgamations in that they will deliver considerable efficiencies and economies of scale but without all the negatives of amalgamations such as organisational and service disruptions, excessive implementation costs and the considerable negative impact on the social and cultural fabric of the local community.

Leichhardt Council's unambiguous preference (and indeed the superior position for the community) is that Leichhardt remain a stand-alone and independent Council into the future. This is the position that is overwhelmingly supported by our community.

However, should the NSW Government determine that Leichhardt will be forcibly amalgamated against the wishes of the community and the Council, Council has resolved that its preferred option is the amalgamation of Leichhardt, Ashfield and Canada Bay Councils. Internal modelling has shown that this combination of Councils would meet all the Fit for the Future financial criteria, excluding scale, by 2017 and that of all possible merger options, of 3 Councils or more, this option would be the best financial benchmark option for Leichhardt LGA residents. The analysis supporting this position is provided at **Attachment K**.

The adopted position of Council on Fit for the Future from an Extraordinary Meeting held on Tuesday, 2 June 2015 is shown below (Minute No. C252/15E):

1. *In conjunction with the current exhibition of Council's draft Fit for the Future proposal to be submitted to the State Government by the 30th June 2015, Council restates its unambiguous preference and intention to stand-alone as an independent council

and further that Council*
2. *Notes Council's recent submission to IPART on its proposed assessment process.*
3. *Notes the NSW Government's public statements indicate a clear intention to proceed with amalgamating Councils.*
4.
 - a) *Notes that Council's draft Fit for Future submission meets all of the Government's indicators by 2017, excluding scale*
 - b) *and therefore that Council identify other Sydney Councils which also meet all criteria excluding scale and seek their cooperation in joint advocacy and a joint statement to support these demonstrably sustainable Councils stand-alone positions.*
5.
 - a) *Notes the findings of the Morrison Low study that amalgamation with all 6 inner west councils would likely result in increasing rates and services being reduced for residents in Leichhardt Municipality.*
 - b) *Further notes that amalgamation of Leichhardt, Ashfield and Canada Bay Councils would meet all the Fit for the Future criteria, excluding scale, by 2017 and that of all possible merger options, of 3 Councils or more, this option would be the least likely to cause rates to increase and services to be reduced for Leichhardt residents.*
 - c) *In the context of the above, approach Ashfield and Canada Bay Councils about jointly investigating a contingency plan for a merger of these Councils, with the objective of protecting residents from the rate increases and the loss of services.*
6. *Restates its thanks to council staff for their excellent work on the draft Fit for the Future proposal.*

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	4.5%	3.3%	1.9%	1.7%	1.7%	1.9%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	88.3%	87.5%	89.7%	90.3%	91.9%	91.9%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	93.8%	136.4%	159.9%	167.1%	152.9%	135.3%	Yes
Infrastructure Backlog Ratio (Improve or Meet to less than 2%)	6.7%	4.9%	3.9%	2.8%	1.9%	1.8%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	127.3%	108.6%	113.8%	118.5%	121.9%	122.6%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.9%	2.1%	2.4%	2.3%	2.3%	1.8%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.30	1.28	1.27	1.25	1.24	1.22	Yes

4.1 Expected improvement in performance

The Improvement Action Plan will enable Council to meet all 7 Fit for the Future benchmarks by 2015/16. The expected improvement in performance is shown in the table above - this table is sourced from Council's Long Term Financial Plan (**Attachment J**). **Attachment F** extends the financial analysis beyond 2019/20 and outlines Council's achievement of the 7 benchmarks over the ten years of the Long Term Financial Plan.

The Improvement Action Plan will greatly improve the condition of Council's assets over time. The improvement in Council's assets is shown at **Attachment H**.

5. Putting your plan into action

Council's Delivery Program & Operational Plan translates the strategic goals articulated in *Leichhardt 2025+* into specific actions which detail Council's four year commitment to our community. Actions are monitored using an Integrated Planning and Reporting software solution known as Pulse, which allows actions to be assigned a responsible officer, associated target date and require for progress comments to be provided on a quarterly basis. Progress is reported to Council via a quarterly reporting regime of our Delivery Program & Operational Plan and is finalised within three (3) months of the end of each quarter.

Council's "Fit for the Future" Improvement Action Plan will be managed by the Director of Corporate and Information Services along with the Senior Management Team. Progress will be monitored via Pulse and actions/milestones will be reported quarterly to Council and the community thereby ensuring transparency and promotion of good governance.

The Resourcing Strategy (i.e. Long Term Financial Plan, Asset Management Plan and Workforce Plan) are formally updated on an annual basis and adopted by Council each year in June as part of the Budget (**Attachment J**).

Community Resolution on Fit for the Future

On 7 May 2015, Council held a public meeting at Balmain Town Hall to discuss the Fit for the Future reforms and the proposed amalgamation of Leichhardt Council. At this meeting, the community moved the following motion:

"Concerned residents attending this meeting, regarding Amalgamation of Councils, held at Balmain Town Hall on May 7th, feel that amalgamation is a retrograde plan. This is demonstrated through:

- a. reduced representation, amenity and heritage protection for local residents*
- b. inability of the proposed "mega" Council to reach the Government's own performance benchmarks*
- c. the threat to local services and facilities in an area with such diverse geographic, social & economic demands*
- d. social & economic equity being jeopardised in a drive for cost recovery in providing services."*

The meeting unanimously endorsed this Motion.

ATTACHMENTS and WEB LINKS

i. Attachments

- A. Council's submission to *Destination 2036 – Revitalising local government and a new Local Government Act for NSW*, 27 March 2014
- B. Morrison Low, *Inner West Councils: Fit for the Future - Shared Modelling*, February 2015.
- C. Community Engagement Plan, Details and Summary.
- D. SSROC's submission on "Revitalising Local Government", 24 March 2014.
- E. Council's response to Strategic Capacity (includes OLG's Better Practice Review, April 2015).
- F. Leichhardt Council's achievement of the Fit for the Future benchmarks, 2014-15 to 2024-25.
- G. Consolidated List Efficiency Opportunities endorsed by Council in the 2014/15 and 2015/16 Budgets.
- H. Improvement Action Plan – Impact on the condition of assets over time.
- I. There is no Attachment I.
- J. Resourcing Strategy 2014 to 2018 (no hard copy is provided just the web link):
<http://www.leichhardt.nsw.gov.au/Budget1516>
- K. Amalgamation of Leichhardt, Ashfield and Canada Bay Councils: Achievement of the Fit for the Future benchmarks, 2013-14 to 2022-23

ii. Web Links

The following web links are cited in Council's Improvement Proposal:

- A. Community Strategic Plan (*Leichhardt 2025+*): <http://www.leichhardt.nsw.gov.au/About-Council/Plans-Policies-Pubs/Strategic-Plans/Leichhardt-2025>
- B. Leichhardt Council's Long Term Financial Plan and Annual Budget (Operational Plan):
<http://www.leichhardt.nsw.gov.au/Budget1516>
- C. The Asset Management Plan and Workforce Management Plan (included in Council's Resourcing Strategy):
<http://www.leichhardt.nsw.gov.au/Budget1516>

Hard copies of these documents can be provided upon request.