

ITEM-5 **FIT FOR THE FUTURE SUBMISSION**

THEME:	Proactive Leadership
OUTCOME:	2 Prudent management of financial resources, assets and people to deliver the community outcomes
STRATEGY:	2.2 Maintain a strong financial position that supports the delivery of services and strategies and ensures long term financial sustainability.
MEETING DATE:	23 JUNE 2015 COUNCIL MEETING
GROUP:	GENERAL MANAGER GROUP MANAGER -STRATEGIC PLANNING
AUTHOR:	MICHAEL EDGAR CHIEF FINANCIAL OFFICER CHANDI SABA
RESPONSIBLE OFFICER:	GENERAL MANAGER DAVE WALKER

EXECUTIVE SUMMARY

Over the past 4 years or so the NSW State Government has been reviewing the role, capacity and performance of Local Government. It has publically stated that the 152 Councils serving between 1,200 and 300,000 people are not working as well as they should be. It observes that over one third of Councils are facing financial problems and the multiple administrations of Sydney Councils adds to inefficiencies and a failure to adequately respond to population growth. It set up an Independent Local Government Review Panel (Independent Review Panel) which has handed down its findings. In response the "Fit for the Future" (FFF) process is the State Government's blueprint for reform

Every Council in NSW is required to respond to the FFF process and to demonstrate that they are financially sound, operating efficiently and in a strong position to guide, grow and deliver quality Local Government services into the future. Council must prepare a FFF submission by 30 June 2015. The NSW Government has outlined that a FFF Council is one that is "sustainable, efficient, effective, manages infrastructure and delivers services for communities and has the scale and capacity to engage effectively across the community, industry and government". The Hills Shire Council is able to demonstrate that it is FFF and the purpose of this report is to form Council's submission to IPART and its response to Local Government Reform in NSW.

REPORT

The NSW Government is intent on reforming the Local Government sector. In Sydney, the NSW Government says the 41 Councils add complexity, different levels of service and cost \$1 billion in administration each year. A \$22.5 million funding opportunity has

been announced as an incentive for Councils in Sydney, Central Coast and the Lower Hunter to merge. Clearly, fewer Councils is a desired outcome.

The FFF process is the NSW Government's response to Local Government reform. All Councils in NSW are required to submit a proposal in response to the FFF reform process by 30 June 2015.

The NSW Government has prepared 3 templates to help prepare proposals. Template 1 is for a Council who has not got the appropriate scale and capacity and is proposing a merger with another Council. Template 2 is for a Council that has appropriate scale and capacity and is proposing improvements and Template 3 is for rural Councils. In terms of each Council's assessment of "scale and capacity", the recommendation for that Council by the Independent Review Panel is the starting point.

The Independent Review Panel recommended "No Change" to The Hills Shire Council. However, when looking at our neighbours it also suggested that part of the Shire south of the M2 (Oatlands, part of North Rocks, Northmead and Carlingford) be transferred to Parramatta City Council, a possible reconfiguration of boundaries around the North West Growth Centre and a possible long term merger with Hawkesbury City Council.

The Hills Shire Council made a comprehensive submission and response to the Independent Review Panel's findings given that The Hills Shire does have sufficient scale, capacity and resources. The Hills Shire Council's submission does not involve full mergers with neighbouring Councils but does suggest boundary adjustments with Parramatta, Hornsby and Hawkesbury in order to achieve the Independent Review Panel's overall recommendations and to deal with known existing community of interest issues. For The Hills Shire, our FFF submission requires completing the Improvement Template (Template 2).

The Independent Review Panel's Recommendations

The Hills Shire Council has been ranked in the top 2 strongest Councils financially in the State and can demonstrate a very good track record in managing growth, delivery of infrastructure and working with State Government Departments. Council can demonstrate that it has the scale and capacity in its current form however it is able to expand the current boundaries of the Shire and remain sustainable to assist in the reform process.

Council's submission responding to the Independent Review Panel was, and is, proactive. It embraced the opportunity to improve the Local Government sector. The Hills Shire Council is able to take on more and its alternate proposal will, by and large, help deliver the outcomes of the Independent Review Panel's recommendation. The NSW Government has given IPART the role of "Expert Panel" to assess each Council's FFF submission.

The Independent Review Panel made a few recommendations that affect The Hills Shire. Overall, the Panel did not find that The Hills Shire warranted a change but did suggest the following:-

(a) Look at Resolving the Growth Centres' Boundaries with Hawkesbury and Blacktown Councils

The Hills Response

Each Council has been undertaking their respective roles in land use planning in the Growth Centres. The Hills Shire Council and Blacktown City Council are well

advanced with land use structure plans, zonings, development standards and contribution planning either being already finalised or well underway. In The Hills Shire the entire rezoning of the Growth Centre is gazetted. There is no need or benefit in making boundary adjustments purely around the Growth Centres in this area. Blacktown City Council is of a similar view and has said so in its FFF submission. Hawkesbury City Council has suggested it take over the Growth Centres to improve its scale and capacity.

The Hills Shire Council's submission does suggest an expansion of the boundary to the Hawkesbury River which will affect Hawkesbury City Council but not Blacktown City Council. This is discussed later in this report.

(b) Complete Future Amalgamation with Hawkesbury City Council

The Hills Response

Council's submission did not support this suggestion and it was clearly not aimed at addressing the scale and capacity of The Hills Shire. Instead it appeared completely about addressing the future of Hawkesbury City Council. Hawkesbury City Council is totally opposed to this merger and so is The Hills Shire Council. It remains unclear as to the long term future of Hawkesbury City Council and instead of the Panel's merger with The Hills Shire Council may instead be distributed to the adjoining Local Government area of Blue Mountains, Penrith and The Hills.

(c) Look to excise the LGA below (South) of the M2 and combine with an amalgamated Parramatta, Holroyd and Auburn Councils

The Hills Response

Again, the recommendation was not aimed at the current and future scale and capacity of The Hills Shire. Instead it was to strengthen the position of Parramatta City Council and cement it firmly as Sydney's second CBD. It also appeared to be more about addressing the future of Holroyd City Council and Auburn City Council with an expanded second Sydney CBD.

The Hills Shire believes the Independent Review Panel's recommendation to be unnecessary and will remove a valuable rate base from The Hills Shire but, more importantly, will remove residents that have a long association and affinity with The Hills Shire. Fragmenting this community of interest is unnecessary and disruptive. The M2 is not a barrier to these communities as the M2 was "retro fitted" into those communities and, accordingly, has many areas of permeability that keeps communities intact.

In terms of the rate base, this part of our Shire is a significant part of our urban population base that provides around \$10.3 million in rate revenue or around 15% of the total rate income. The Hills Shire is 380 sq. km and the urban footprint is approximately 25% of the total footprint. There are approximately 10,500 hectares of urban land and approximately 30,000 hectares of land zoned rural. The vast majority of The Hills Shire is non-urban and the urban rate base provides capacity to support these rural communities and their needs.

In terms of addressing Parramatta's scale and capacity, an amalgamation with Auburn City Council and Holroyd City Council, as recommended by the Independent Review Panel, seems to address these respective Councils' future along with the

considerable planned changes in land use planning in Parramatta CBD. With Auburn and Holroyd, according to Metropolitan Plan data, the combined LGA would have a population of around 520,000 by 2031.

A logical boundary between The Hills Shire Council and Parramatta City Council is Pennant Hills Road, James Ruse Drive and Old Windsor Road. This means that the part of Oatlands which is currently in The Hills Shire should be transferred to Parramatta City Council. However, it would mean the additional population in Northmead and Winston Hills would become part of The Hills Shire. Perhaps to offset this logical boundary change is for the parts of Carlingford and Epping that are within Hornsby Shire be incorporated into Parramatta and with Holroyd and Auburn would form a population base of around 532,000 by 2031.

(d) No Change

As mentioned earlier, this is the predominant Independent Review Panel's recommendation for The Hills Shire. The reasons for this are obvious. The Hills Shire is FFF in its own right and is among the few Council's assessed as being financially strong and with a neutral outlook by Treasury.

According to data supporting the Metropolitan Plan, The Hills Shire is expected to grow by around 103,000 people to a population of around 280,000 people by 2031.

While the "no change" position is justified, in the context of addressing Local Government as an industry, The Hills Shire Council's submission suggested it could do more. In essence, The Hills Shire Council's submission was based on reducing current disruptive boundaries and choosing more logical boundaries based on geography and infrastructure and recommended the following:-

- i. The boundary for The Hills Shire would continue north westwards along Windsor Road to South Creek and then follow South Creek to its junction with the Hawkesbury River. Part of Vineyard, Mulgrave and McGraths Hill, north of Windsor Road, would be within The Hills Shire and those parts south of Windsor Road within Hawkesbury. This would mean the towns of McGraths Hill, Scheyville, Pitt Town, Oakville, Maraylya and Cattai would be included within The Hills Shire.
- ii. Extending The Hills Shire's northern boundary along the Hawkesbury River to Berowra Creek. This would place all of Wisemans Ferry, Laughtondale, Singleton Mill, Maroota, Canoelands, Forest Glen, Glenorie, Fiddletown, Galston, Arcadia, Middle Dural, Dural, part Cherrybrook, Castle Hill, Glenhaven, West Pennant Hills, Berowra Creek, Berrilee into The Hills Shire.
- iii. The boundary between The Hills and Hornsby runs from Berowra Creek to Pye Creek to its junction with New Line Road. It then follows New Line Road to Castle Hill Road and then to Pennant Hills Road to the M2. From there it follows the M2 to Beecroft Road at Epping. From there to Carlingford Road and back to Pennant Hills Road.
- iv. Pennant Hills Road to James Ruse Drive then to Old Windsor Road. Oatlands would transfer to Parramatta City Council and Northmead to The Hills Shire Council.

Council's Fit for the Future Submission

The Hills Shire Council can only submit a submission based on Template 2 "Council's Improvement Proposal". Template 2 is attached to this report and the following information is a brief overview of the submission.

The essential areas of assessment in an Improvement Proposal are as follows:-

1. Current performance, issues facing the Council and the improvement strategies and outcomes.
2. Scale and Capacity.
3. Performance against FFF benchmarks and how our Council can become and remain FFF along with an Action Plan.
4. Other Actions considered.

1. Current performance

The Hills Shire Council is a leader in Local Government, with a strong strategic capacity and it can demonstrate that it can be FFF now and in the future. By any measure (financial, community or business) The Hills Shire Council is, and will remain, a top performing Council. It is able to attract the right talent and resources to meet its needs.

The Hills Shire Council has demonstrated its capacity to manage a growing population and the needs of it. The Hills Shire Council has the technical and governance expertise to manage responsibly and sustainably. It has always attracted sufficient political and professional talent to meet its needs.

Infrastructure required to accommodate around 103,000 people by 2031 has already been considered in the Balmoral Road, North Kellyville, Box Hill and the Box Hill North Contribution Plans. Regular updates to these Plans will ensure the appropriate level of infrastructure in these new release areas. Council has addressed its infrastructure backlog with the exception of stormwater.

2. Scale and Capacity

The Hills Shire, according to the NSW Government's population statistics, had a population of 177,000 in 2011. It expects that population to grow by around 103,000 people by 2031 to around 280,000 people. Council has already zoned sufficient land to meet its housing and employment targets and, by any measure, will by 2031 be a Local Government area that is of sufficient scale and capacity to deliver the expected Local Government services to its population. By any performance measure, The Hills Shire Council is able to meet the current and future Local Government needs of its residents.

If the State Government were to agree with The Hills Shire Council's proposal, it would:-

- i. Resolve communities of interest;
- ii. Produce a Local Government area that represents the majority of North Western Sydney;
- iii. Will reduce the number of Councils;
- iv. Will leave remaining Councils in a stronger more strategic and capable position;
- v. Will improve Local Government as a sector.

The Independent Review Panel recommended 'No Change' to The Hills Shire Council. However, when looking at our neighbours it also suggested that part of the Shire south of the M2 (Oatlands, part of North Rocks, Northmead and Carlingford) be transferred to Parramatta City Council, a possible reconfiguration of boundaries around the North West Growth Centre and a possible long term merger with Hawkesbury City Council.

This Council did formally write to Hawkesbury, Hornsby and Parramatta Councils to discuss The Hills Shire Council's Preferred Option detailed below, but all three Councils declined the offer.

- The Hills Shire Council declined the request from Hornsby Shire Council's request for a complete amalgamation.
- Hawkesbury City Council did not meaningfully engage at all, but informed that they will not consider a merger with the Hills.

The Hills Shire Council's preferred option (detailed earlier in this report and again in Section (5) suggested boundary realignment which will not only result in a greater degree of financial sustainability and service delivery, but will greatly enhance representations in terms of communities of interest, growth, planning, infrastructure delivery and relations with government.

The net impact, if the alignment as per The Hills Shire Council's preferred option was carried out, will see an increased population of approximately 59,000 over and above the projected population of 280,000 by 2031, increasing to approximately 339,000.

Other factors that needed to be addressed in order to prove that a Council has Scale and Capacity are as follows:

- Robust revenue base and increased discretionary spending.
- Scope to undertake new functions and major projects.
- Ability to employ a wider range of skilled staff.
- Knowledge, creativity and innovation.
- Effective regional collaboration.
- Credibility for more effective advocacy.
- Capable partner for State and Federal agencies.
- Resources to cope with complex and unexpected changes.
- High quality political and managerial leadership.

Attachment 1 Improvement Proposal details information supporting these criteria in detail.

3. Performance Against Fit For the Future Benchmarks and How Your Council Becomes and Remains Fit For the Future, Along with an Action Plan

Fit For the Future Benchmarks

The Hills Shire Council can demonstrate that it can meet all the FFF criteria now and in the future as per projections detailed in Council's Long Term Financial Plan and are detailed below.

Measure/Benchmark	2016/17 (%)	2017/18 (%)	2018/19 (%)	2019/20 (%)	Achieves FTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	2.11	3.33	3.21	3.6	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	68.03	71.15	73.5	75.73	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	130.74	127.36	129.55	126.03	Yes
Infrastructure Backlog Ratio (Less than 2%)	1.59	1.56	1.51	1.45	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	107.20	107.16	107.61	107.79	Yes
Debt Service Ratio* (Greater than 0% and less than or equal to 20% average over 3 years)	0	0	0	0	No
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	58.84	58.04	57.52	56.44	Yes

*Debt Service Ratio

The revised methodology issued by IPART has indicated that they will consider a Council's financial strength and whether the debt is necessary for the Council's asset base and it is not required to be greater than zero.

Action Plan to Remain Fit for the Future

The FTF guidelines require Council to identify the specific actions which it will undertake to deliver its improvement objectives and the process which has been undertaken to develop the Improvement Action Plan.

The Hills Shire Council can demonstrate that it has and will meet the FFF benchmarks by continuing to operate in the manner it has been in the past. Advice sought from the OLG and IPART indicate that even if a Council was meeting all the benchmarks, it needed to document what it's currently doing. The key actions are detailed below:-

Operating Performance

- Continue to budget for operational surplus before Capital Grants and Gain /Loss on disposal of assets as a high priority.
- Continue to budget for Rates income limited to Rates Cap with Growth for new release areas.
- Continue to apply the Financial Charter when preparing the Budget.
- Continue to give priority to infrastructure funding before all other services.
- Continue to allocate from Recurrent Income funds for known future expenditure & contingencies.
- Continue to prepare budgets on a full costs basis and set fees and charges where possible to recover costs.
- Continue to operate cost neutral (full cost including overheads) services in waste, child care and Aged & Disability Services.
- Don't provide services where grant funding is ceasing or changing.
- Continue to generate income from entrepreneurial activities.

Infrastructure

- Continue to monitor and deliver infrastructure for new release areas.
- Continue to borrow within Section 94 first, then Reserves to fund land acquisitions in Contribution Plans where Section 94 Contributions are nil or negative (eg Box Hill Plan).
- Create a Stormwater (SW) Backlog Reserve to fund SW backlog when identified.
- Continue to seek Grant Funding where possible for specific expenditure.
- Continue to set aside funds for asset renewal equal or greater than Depreciation.
- Continue to provide funds for Asset Maintenance greater than required maintenance.
- Continue to allocate from Recurrent Income funds for Plant & Equipment replacement over 10 years.

Efficiency

- Continue to maintain or increase population to staff ratio.
- Continue to implement new systems to get productivity gains (eg My DCP).
- Undertake Priority Precinct Planning around NWR stations to support population growth and job creation.
- Continue to meet FFF Ratios & Benchmarks.

4. Other Actions Considered

The Hills Shire Council has been ranked in the top 2 strongest Councils financially in the State and can demonstrate a very good track record in managing growth, delivery of infrastructure and working with State Government Departments when required. This Council believes that it has the scale and capacity to expand the current boundaries of the Shire as detailed above.

The Hills Shire Council has put forward an alternative recommendation that considers changes involving Hawkesbury City Council and Hornsby Shire Council and, to a smaller extent, Parramatta City Council. Attachment 2 details Council's proposal outlining the reasons for this preferred option and is summarised below.

This option is based on retaining the south of M2 with The Hills Shire Council and would result in the suburbs below the M2 including North Rocks, Carlingford, North Parramatta and Baulkham Hills remaining with the Hills and the boundary between The Hills Shire and Hawkesbury City Council should be Windsor Road to South Creek and then to the Hawkesbury River which provides a logical physical natural boundary.

The proposed Hills Shire Council boundary extends from Thompsons Corner at West Pennant Hills southwards along Pennant Hills Road to the M2 Motorway at Carlingford. There it travels east along the M2 to Beecroft Road at Epping. It then turns southward along Beecroft Road until Carlingford Road where it turns east and runs the entire length to Pennant Hills Road, Carlingford incorporating Carlingford Court (from Hornsby Council). It turns left into Pennant Hills Road where it then continues in a south-westerly direction encompassing North Rocks and part of North Parramatta north of James Ruse Drive (including Lake Parramatta) (from Parramatta Council) until the junction of James Ruse Drive.

It then turns right into James Ruse Drive (Cumberland Highway) and in a north-westerly direction encompassing Northmead. Continue along Brien's Road into Old Windsor Road, encompassing Old Toongabbie, Winston Hills (from Parramatta Council) and in a northerly direction Baulkham Hills, Bella Vista and Kellyville until the junction of Windsor Road at Beaumont Hills. It continues north along Windsor Road encompassing Rouse Hill and Box Hill. The boundary continues through Oakville, McGraths Hill and to the township of Windsor (all from Hawkesbury Council) where it meets South Creek and then onto the Hawkesbury River at its junction.

The boundary then follows the river in a north easterly direction and includes Pitt Town, the remainder of Cattai, South Maroota, Sackville North, Lower Portland, Leetsvale and then to Wisemans Ferry.

Then it is proposed to follow Hawkesbury River south from Wisemans Ferry, including the suburbs of Laughtondale, Singleton Mill, Canoelands, the township of Berowra Creek into Berowra Creek waterway, including Fiddletown then to the township of Berowra Waters on Berowra Waters waterway, back onto Berowra Creek waterway, including Berrilee and Galston to Galston Gorge (all from Hornsby Council).

It continues along Berowra Creek encompassing Dural until it meets the Berowra Valley Reserve, which skirts the northern side of Cherrybrook and the western side of the suburbs of Hornsby and Westleigh and then to Pyes Creek until it meets New Line Road. It turns left onto New Line Road and travels in a southerly direction until

it meets Castle Hill Road. It turns left and continues to Thompson Corner at West Pennant Hills.

Note that the proposed boundary adjustments incorporates the whole of Forest Glen, Glenorie, Arcadia, Middle Dural, Glenhaven and all of Castle Hill (all from Hornsby Council).

Also North Parramatta, Bunnings at North Rocks and the part of Oatlands within the current Hills Shire would then be part of Parramatta Council under this proposal.

While these are boundary adjustments, this will facilitate fewer Councils in the region. Council is of the view that uniting of divided suburbs will bring greater advantages to these suburbs especially when it comes to infrastructure delivery. The proposed borders utilise natural boundaries and reflect a sense of identity, planning relationships and strategic considerations within North West. It also contains relevant communities of interest.

The Hills Shire Council's Preferred Option will increase the population by 59,220 as per the following changes:-

Parramatta Council – Net Gain in Pop 12,338

- This would use Pennant Hills Road, James Ruse Drive and Old Windsor Road as a boundary and would result in the divided suburbs of Northmead, Baulkham Hills, Carlingford and Winston Hills to The Hills Shire Council. This would mean Oatlands, and part of North Parramatta would be incorporated into Parramatta City Council's boundaries.

Hawkesbury Council – Net Gain in Pop 8,261

- This would utilise Windsor Road as The Hills Shire's boundary to South Creek and from South Creek to its junction with the Hawkesbury River.
- It would mean the divided suburbs with Hawkesbury Council (Cattai and Maraylya) will be wholly within The Hills Shire Council.
- The Hills Shire Council would gain the suburbs of Pitt Town, Scheyville, Oakville and part Vineyard, Mulgrave and McGrath Hills from Hawkesbury Council.

Hornsby Council – Net Gain in Pop 38,621

- It would align the divided suburbs with Hornsby Council Castle Hill, Glenhaven, West Pennant Hills, Carlingford, Dural, Middle Dural, Glenorie, Maroota and Wisemans Ferry with The Hills Shire Council.
- The Hills Shire Council would gain part of Carlingford, Beecroft and Epping (alternatively, if this was incorporated into Parramatta City Council, the net gain from Hornsby City Council would reduce by around 12,692 persons with the boundary becoming Pennant Hills Road to Thompsons Corner).
- The Hills Shire Council would gain whole of Galston, Arcadia, Berrilee, Fiddletown, Canoelands, Singletons Mill and Laughtondale, Berowra Creek, Forest Glen from Hornsby Council.

Public Exhibition of Council's Proposals

Council adopted response to Local Government reform was unanimous and united. It has taken an active role in the debate. Council has been a vocal supporter of Local Government reform and has promoted its vision for a larger Council via local, metropolitan and social media since it was adopted by Council in June 2013.

With regard to FFF, Council embarked on a community consultation campaign via local media outlets including *The Hills Shire Times*, *The Hills News*, *The Rouse Hill Times* and the *Rouse Hill Courier*. This campaign was also largely driven via social media, specifically Council's Facebook and Twitter accounts. People living in The Hills Shire Council and in surrounding Local Government areas including Hornsby Shire, Parramatta City and Hawkesbury City were encouraged to take part in an online survey that asked residents age, location, how long they had lived in the region and their preference for Local Government reform.

Three options were offered to respondents:-

- **Option One – The Hills Minus** was the option suggested by the Independent Local Government Review Panel which included the current Hills Shire Council boundaries minus all suburbs south of the M2 motorway including parts of Baulkham Hills, Winston Hills, Northmead, North Parramatta, Oatlands, North Rocks and Carlingford.
- **Option Two – The Hills AND** was an option foreshadowed by The Panel which included all The Hills Shire Council minus all suburbs south of the M2 but merged with all of the current Hawkesbury City Council boundaries.
- **Option Three – The Hills Plus** is Council's unanimously supported position. It was made clear to respondents that this is the option unanimously supported by The Hills Shire Council.

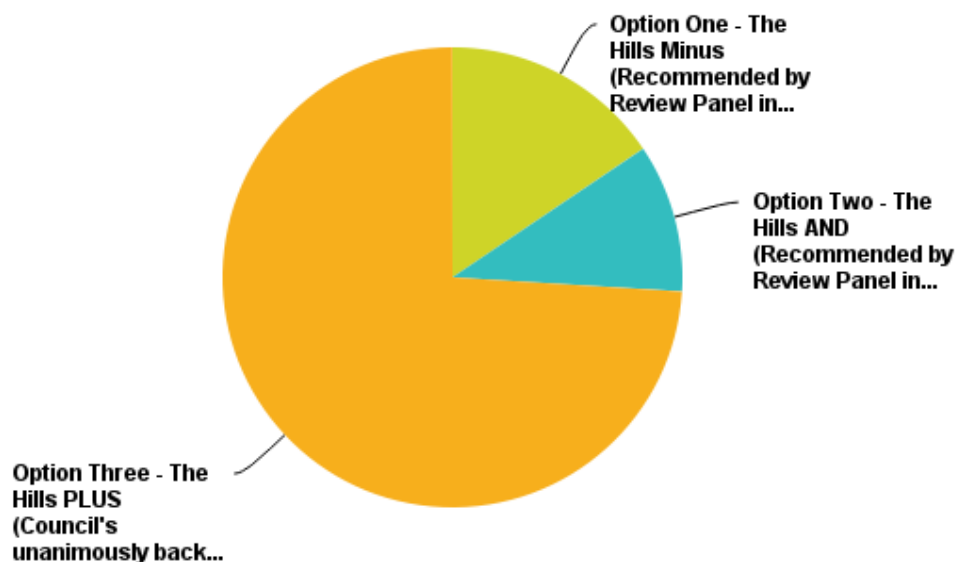
Overwhelmingly, all respondents voted in favour of Option Three. Of the 1208 respondents, 894 (74%) supported Option Three as the best way forward for local government in the region.

Option Three was strongly supported by residents who identified as currently living in The Hills Shire Council, with 80.5% voting in favour of it. Option Three was also strongly supported by residents who identified as currently living within Hornsby Shire Council's boundaries, with 65% of the vote. 48% of Hawkesbury residents supported Option Three, however the support for Option Two (a fuller merger with Hawkesbury) was significantly higher among Hawkesbury residents, with 27.6% supporting the option. Therefore 75.87% of Hawkesbury residents would like significant boundary adjustments with The Hills Shire Council. Option Three was also narrowly the most supported Option from respondents who identified as Parramatta residents, with 46.6% supporting Option Three and 43.8% supporting Option One.

Supporters of Option Three cited Old Northern Road as an inappropriate boundary, a desire to remain a part of a Council with strong finances, strong communities of interest, uniting divided suburbs and excellent parks, Reserves and bushland.

Q4 Of the three options presented for the future of the Hills Shire Council, which do you prefer?

Answered: 1,208 Skipped: 0



Inquiry into Local Government NSW

The NSW Legislative Councils General Purpose Standing Committee No. 6 is currently conducting an inquiry into Local Government in NSW. In general terms, the terms of reference appear to be quite negative and not necessarily pro-reform which is overdue and needed in New South Wales.

It is proposed not to respond to the individual terms of reference on a point by point basis. As The Hills Shire Council is not only FFF in all aspects but has for a long period of time been pro-reform. The submission that is being lodged with IPART in regard to Council's position in terms of FFF and reform be forwarded to the General Purpose Standing Committee as an indication of this Council's positive stand in regard to the reform process. Without this Local Government reform, many Councils face an uncertain future in terms of sustainability, efficiency, effectiveness and the capacity to manage and deliver infrastructure and services in the future.

IMPACTS

Financial

Council is FFF now and can demonstrate that it will continue to be fit in the long term. The financial impacts of the reform process are difficult to quantify unless it was a full Merger Proposal as the Councils were not willing to engage in meaning full exchange of information. If the Independent Review Panel's recommendation for The Hills Shire prevails, which is "No Change", Council's current Delivery Program and LTFP are unaffected. Should Council lose its rate base below the M2, approximately \$10.3 million

or 15% of the rate revenue will be lost. This would substantially affect Council's financial sustainability, delivery and maintenance of infrastructure and will result in reduced levels of service to the community. The Hills Shire Council opposes this option.

The Hills Future - Community Strategic Plan

The Hills Shire Council remains committed to ensuring Council is financially secure and is able to sustainably manage its assets, services and functions into the future.

RECOMMENDATION

1. This report and the completed Template 2 – Improvement Proposal in Attachment 1 (along with supporting documentation namely Annual Report FY 13/14, Hills Shire Plan FY 15/16, Community Survey 2014 and the NSW T Corp Assessment) be adopted and forwarded to IPART for consideration.
2. Council advises IPART that it does not agree to losing its rate base below the M2 to Parramatta City Council, other than the Oatlands area if Council's preferred option is adopted.
3. This Council reaffirms its position in regard to the need for reform of Local Government in New South Wales and the consideration of fewer Councils in Sydney.
4. A copy of this report with its recommendations be referred under cover of correspondence from the Mayor to the NSW Legislative Councils General Purpose Standing Committee No. 6, inquiry into Local Government NSW.

ATTACHMENTS

1. Improvement Proposal (Template 2) (35 pages)
2. Council's Preferred Option and map adopted 25 June 2013 (18 pages)

ATTACHMENT 1

Template 2

Fit for the Future



The Hills Shire Council Improvement Proposal

Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name: The Hills Shire Council
23 June 2015 Council resolution endorsing this submission:

1.1 Executive Summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

Current Position

The Hills Shire Council is a leader in local Government, with a strong strategic capacity and it can demonstrate that it can be "Fit for the Future" now and in the future. While outside of this template framework, The Hills Shire believes that this Council can take its efficient and effective management to a wider Local Government area and contribute towards NSW Government's agenda towards fewer and more sustainable future Local Government areas. Council's submission responding to the independent panel is proactive, will take on more and will by large, deliver the outcomes of that review.

The Hills Shire Council is currently 380 square kms with around 177,000 people. Being part of the North West growth centre, the Hills Shire has been providing housing and jobs to accommodate Sydney's growth and over the past 30 years, has been among the fastest growing Local Government Area's in the state. By 2031, The Hills Shire Council is expected to accommodate at least another 103,000 residents providing a minimum of 47,000 jobs.

The Hills Shire has learnt from its past. In the late 1980's, Council was in a perilous state. However, since that time, Council has been disciplined and strategic in its service and operation, and is now one of the best performing Council's in the State.

Financial Position

The Hills Shire Council's current financial position is strong, debt free and is predicted to remain over the next 10 years in accordance with Council's current long term financial plan. Council has also recorded consecutive operating surpluses for more than 16 years. This Council is one of the two Councils assessed by TCorp as having a "Strong" Financial Position. The Hills Shire Council meets all the Fit for the Future benchmarks with the exception of the debt service ratio. By any measure, The Hills Shire is fit for the future and we are prepared to do more.

In 2013/2014 property development activities have helped further secure Council's financial future. The 26 hectares of land on Withers Road, Kellyville was subdivided into 83 single residential lots and eight medium density sites realising a net profit of more than \$40M.

Around the same time Council moved to a new Council building following nearly 32 years on the corner of Showground Road and Carrington Road, Castle Hill. The move clears the way for the construction of the North West Rail Link's Showground station. This new facility has enabled Council to meet the needs of the growing community and earn in excess of \$1m in recurrent lease income.

Asset Management

Council is the custodian of \$4 billion worth of community assets. Council has continued to reduce its infrastructure backlog to zero with the exception of storm water. This has been achieved without the need to borrow or add special variations to rates. In 2013, Council's infrastructure management was assessed as "strong" by the Office of Local Government. In the last five years The Hills Shire Council has spent \$85 million on upgrading roads, footpaths, parks, drains and community buildings across the Shire. It is expected to spend a further total in excess of \$ 200m in the Long Term Financial Plan over the next 10 years.

Service Delivery

It is also important to note that Council's community survey results (96% Dec 2014) consistently place Council in the highest category in the State when benchmarked against results from other Councils. Compared to 2012 there has been a significant increase in resident satisfaction for 13 of the 47 delivery areas, whilst 29 remained the same. Council's operating performance meets with the expectation of the community it serves. Council has been delivering a record level of infrastructure in the recent years, and is a very capable partner for both State and Federal Government agencies.

Leadership & Workforce

The Shire possesses dedicated, experienced and skilled workforce with strong leadership skills at both the political and operational level who drives innovation to meet the anticipated needs of the business. Over time, the council has proven resilient and adaptable to changing needs. Council is very successful in advocating for its residents and its always pleasing that when government departments and media want a local government perspective – the Hills Shire is sought. For some time now, The Hills Shire has been approached by both local and metropolitan media for its views on Local Government matters impacting the North West.

Council also has in place an Enterprise Agreement which aims to improve customer service outcomes; maintain best practice workplace, health and safety; improve organisational performance standards; and improve productivity.

Despite the challenges we face, we remain committed to delivering exemplary services for our vibrant community, so that all can continue to embrace and enjoy the rich and rewarding lifestyle The Hills Shire offers.

Issues facing this Council

The Hills Shire Council made a comprehensive submission and response to the Independent Review Panel's findings given that The Hills Shire does have sufficient scale, capacity and resources. The Hills Shire submission does not involve full mergers with neighbouring Councils but does suggest boundary adjustments with Parramatta, Hornsby and Hawkesbury to deal with known existing community of interest issues.

Council's submission responding to the Independent Review Panel was, and is, proactive. It embraced the opportunity to improve the Local Government sector. The Hills Shire is able to take on more and its alternate proposal will, by and large, help deliver the outcomes of the Independent Review Panel's recommendation. Council's preferred option is detailed in Section 3.5.

The Hills Shire Council preferred option suggested boundary realignment which will not only result in a greater degree of financial sustainability and service delivery but will greatly enhance representations in terms of communities of interest, growth, planning, infrastructure delivery and relations with government. It will also help deliver fewer Councils with the balance of Hornsby Shire, Ku-ring-gai and Ryde forming an amalgamated Council.

The net impact, if the alignment as per The Hills Shire Council preferred option was carried out, will see an increased population of approximately 59,000 over and above the projected population of 280,000 by 2031 (Current Population 177,000 plus increased population due to North West Growth sector 103,000) increasing to well over 339,000.

Planned improvement Actions

Infrastructure required to accommodate the 103,000 people by 2031 has already been considered in the Balmoral Road, North Kellyville, Box Hill and the Box Hill North Contribution Plans. Regular updates to these Plans will ensure the appropriate level of Infrastructure in these new release areas. Council has already zoned sufficient land to meet its housing and employment targets and, by any measure, will by 2031 be a Local Government area that is of sufficient scale and capacity to deliver the expected Local Government services to its population.

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? **Yes**

(i.e., the Panel did not recommend your council needed to merge or become a Rural Council).

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 (up to 500 words).

Dealing with the Independent Review Panel's Recommendations

The Independent Review Panel made a few recommendations that affect The Hills Shire. Overall, the Panel recommended 'No Change' but did suggest the following: -

(a) Look at Resolving the Growth Centres' Boundaries with Hawkesbury and Blacktown Councils

Each Council has been undertaking their respective roles in land use planning in the Growth Centres. The Hills Shire Council and Blacktown City Council are well advanced with land use structure plans, zonings, development standards and contribution planning either being already finalised or well underway. In The Hills Shire the entire rezoning of the Growth Centre is gazetted. There is no need or benefit in making boundary adjustments purely around the Growth Centres in this area. Blacktown City Council is of a similar view and has said so in its FFF submission. Hawkesbury City Council has suggested it take over the Growth Centres to improve its scale and capacity.

The Hills Shire Council's submission does suggest an expansion of the boundary to the Hawkesbury River which will affect Hawkesbury City Council but not Blacktown City Council. This is discussed later in this report.

(b) Complete Future Amalgamation with Hawkesbury City Council

Council's submission did not support this suggestion and it was clearly not aimed at addressing the scale and capacity of The Hills Shire. Instead it appeared completely about addressing the future of Hawkesbury City Council. Hawkesbury City Council is totally opposed to this merger and so is The Hills Shire Council. It remains unclear as to the long term future of Hawkesbury City Council and instead of the Panel's merger with The Hills Shire Council may instead be distributed to the adjoining Local Government area of Blue Mountains, Penrith and The Hills.

(c) Look to excise the LGA below (South) of the M2 and combine with an amalgamated Parramatta, Holroyd and Auburn Councils

Again, the recommendation was not aimed at the current and future scale and capacity of The Hills Shire. Instead it was to strengthen the position of Parramatta City Council and cement it firmly as Sydney's second CBD. It also appeared to be aimed at addressing the future of Holroyd City Council and Auburn City Council with an expanded second Sydney CBD.

The Hills Shire believes the Independent Review Panel's recommendation to be unnecessary and will remove a valuable rate base from The Hills Shire but, more importantly, will remove residents that have a long association and affinity with The Hills Shire. Fragmenting this community of interest is unnecessary and disruptive. The M2 is not a barrier to these communities as the M2 was "retro fitted" into those communities and, accordingly, has many areas of permeability that keeps communities intact.

In terms of the rate base, this part of our Shire is a significant part of our urban population base that provides around \$10.3 million in rate revenue or around 15% of the total rate income. The Hills Shire is 380 sq. km and the urban footprint is approximately 25% of the total footprint. There are approximately 10,500 hectares of urban land and approximately 30,000 hectares of land zoned rural. The vast majority of The Hills Shire is non-urban and the urban rate base provides capacity to support these rural communities and their needs.

In terms of addressing Parramatta's scale and capacity, an amalgamation with Auburn City Council and Holroyd City Council, as recommended by the Independent Review Panel, seems to address these respective Councils' future along with the considerable change in land use planning in Parramatta CBD. With Auburn and Holroyd, according to Metropolitan Plan data, the combined LGA would have a population of around 520,000 by 2031.

A logical boundary between The Hills Shire Council and Parramatta City Council is Pennant Hills Road, James Ruse Drive and Old Windsor Road. This means that the part of Oatlands which is currently in The Hills Shire should be transferred to Parramatta City Council. However, it would mean the additional population in Northmead and Winston Hills would become part of The Hills Shire.

Perhaps to offset this logical boundary change is for the parts of Carlingford and Epping that are within Hornsby Shire be incorporated into Parramatta and with Holroyd and Auburn would form a population base of around 532,000 by 2031.

(d) No Change

As mentioned earlier, this is the predominant Independent Review Panel's recommendation for The Hills Shire. The reasons for this are obvious. The Hills Shire is Fit for the Future in its own right and is among the few Council's assessed as being financially strong and with a neutral outlook by Treasury.

According to data supporting the Metropolitan Plan, The Hills Shire is expected to grow by around 103,000 people to a population of around 280,000 people by 2031.

While the "no change" position is justified and in the context of addressing Local Government as an industry, The Hills Shire Council's submission suggested it could do more. In essence, **The Hills Shire Council preferred option is detailed in Section 3.5.**

Other factors that support that The Hills Shire Council has the Scale and Capacity are as follows:

Robust revenue base and increased discretionary spending - Ref: LTFP FY 15/16

- NSW Treasury Corp Financial Sustainability Rating changed from : "Sound" Positive to "Strong" Neutral
- Unrestricted Current Ratio increased from 9.65 in FY 12 to 12.56 in FY 14 (Ref Financial Statements FY 14)
- Operating Surpluses over the last 16 years (Ref Financial Statements)
- Application of adopted Financial Charter resulting in accumulated Cash Reserves > \$ 100m (Ref Financial Statements FY 14)
- Funded infrastructure backlog of \$ 37 m in the last 3 years without borrowing or increasing General Rates over and above the Rates Cap. (Ref Financial Statements)
- Increased allocation of funds for Asset renewal \$ 8.9m in FY 11 to \$16.3m in FY 15
- New initiatives such as Bio Banking, Leasing of Air Space etc. generating new income each year (Ref LTFP income)

Scope to undertake new functions and major projects:

- Major Projects undertaken – (Ref Annual Report FY 14 Pages 8-11)
- Recent Property development activities generating more than \$ 40m profit (Ref Annual Report FY 14 Page 9)
- Relocation of Council Administration Centre \$ 51m (Ref Annual Report FY 14 Page 10)

- Delivery of large capital Works programs over \$ 51m in FY 14 (Ref Annual Report FY 14 Page 8)
- Planning for North West Sector Growth Eg Box Hill, North Kellyville
- Planning for North West Rail (Ref Annual Report FY 14 Page 9)

Ability to employ a wider range of skilled staff:

- Skill base exceeds local government expectations, evidence by lowest staff to population ratio in the Industry
- Council is an attractive employer evidence by Staff retention rate of 92.02 (Annual Report FY 14 Page 41)
- Council has a solid reputation and strong track record in advocacy, regional partnerships, creativity, innovation and community leadership which demonstrates the diverse high level of skills within the organisation
- Days lost to unplanned absences reduced from 7.9 days in FY 13 to 6.73 in FY 14 (Annual Report FY 14 Page 41)
- Loss time injury frequency 9.45 in FY 14 (Annual Report FY 14 Page 41)

Knowledge, creativity and innovation:

- Development of the first Bio Banking agreements generating income.
- Development and application of NPV based Developer Contributions. (Only Council in NSW applying this methodology)
- Summer Series Events attracting over 88,000 visitors to the Hills Shire Council (Hills Shire Plan FY 15/16 Page 8)
- Introduction of a Knock Down Rebuild Initiative to rejuvenate existing areas(Hills Shire Plan FY 15/16 Page 8)

Advanced skills in strategic planning and policy development:

- Skilled, engaged and proactive Workforce
- Strategy & Business Improvement have a great local strategy, long term community plan
- Have well researched policies on achieving population growth
- Capable of planning and delivery critical infrastructure
- One of the first comprehensive state-wide LEP
- Complete integration with Metro strategy

Effective regional collaboration:

- The Hills Shire Council has demonstrated skill and capacity to engage with neighbouring Local Government areas, and Government Agencies to meet the needs of regional issues. Council understands its regional context and is part of the Central West Sub Region and is in active partnership to deliver Metropolitan Strategies.

Credibility for more effective advocacy:

- Council is currently working towards rejuvenating its current town centres like Baulkham Hills, Castle Hill and Rouse Hill to ensure they remain attractive places for people to live, work and play.

- Council also has been lobbying the State Government for additional commuter car parking. Council recently with the assistance from the State Government constructed the Torrs Street Car Park in Baulkham Hills which resulted in an additional 178 car spaces.
 - Campaigning for light rail to connect to the southern suburbs like Carlingford to Epping, Macquarie Park and Parramatta.
 - Good track record of partnering with government (Torrs St Carpark, RHR Centre, Transport Upgrade, Norwest Boulevard, Showground Road).
 - Good track record of working with local businesses to support growth in jobs. (THSC framework for Economic Development HSP 15/16 Pg. 40)
 - Other Commuter Parking initiatives. (Hills Shire Plan FY 15/16 Page 31)
 - Baulkham Hills Town Centre. (Hills Shire Plan FY 15/16 Pages 19,31 & 33)
 - Carlingford to Epping Light Rail negotiations. (Hills Shire Plan FY 15/16 Page 19)
- Capable partner for State and Federal Agencies:**
- Finalising the Strategy for Norwest Boulevard Traffic Lights. (Hills Shire Plan FY 15/16 Page 31)
 - Negotiating Construction of Traffic Lights at Glenhaven Rd and Old Northern Road. (Hills Shire Plan FY 15/16 Page 19)
 - Negotiating funding to provide more Commuter Car Parking (Hills Shire Plan FY 15/16 Page 19)
 - Lobbying to change legislation relating to Just Terms Compensation Act for land acquisitions. (Hills Shire Plan FY 15/16 Page 19)
 - North West Rail Liaison Group (Annual Report FY 14 Page 9)
 - Upgrade of Showground Road (Hills Shire Plan FY 15/16 Page 31)
 - Successful lobbying resulting in NSW Government, Transurban and West Link M7 to deliver the NorthConnex motorway. (Annual Report Page 9)
 - Advocate for the reservation of a construction corridor linking the M7 and M1 Road ways to enable the completion orbital link. (Hills Shire Plan FY 15/16 Page 31)

Resources to cope with complex and unexpected change

- Cash Reserves totalling > than \$ 100 m available.
- Contingency funds to deal with disasters and emergencies.
- Emergency and disaster recovery plans in place.
- Business continuity plans in place.
- Best practice risk management systems and procedures to minimise potential event.
- Currently employs a wide range of skilled and qualified staff with transferable skills.

High quality political and managerial leadership

- Leadership programs, induction and training in place for elected representatives and staff.
- Strategic Planning Workshops with Senior Staff and Councillors.
- Monthly Workshops with elected members to discuss various issues prior to Council Meetings.

2. Your council's current position

2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

Key Characteristics

Located in Sydney's north-west, about 30 kilometres from the Sydney CBD, The Hills Shire occupies an area of more than 380 square kilometres, and is divided into 29 suburbs. The Shire's boundaries stretch from Oatlands in the south to Wisemans Ferry in the north.

Our Economy continues to grow and recent reports estimate the economic Headline Gross Regional Product (GRP) for 30 June 2014 at \$9.14B. The Hills Shire is the extremity of Sydney's Global economic arc that contributes 2.59% to the GRP of Sydney.

Our total number of jobs as of June 2014 reached 74,944, compared to 64,765 in 2006. Our major business precincts are well suited to a variety of office, light industrial, research and commercial uses. They house a diverse array of specialist and advanced industrial companies gaining the region an excellent reputation as a centre for finance, information technology and pharmaceutical industries.

The Hills Shire is predominantly residential with rural areas in the northern areas of the Shire, agriculture, national parks, as well as semi-rural and rural- residential living. The southern areas of the Shire feature well-established residential and commercial areas as well as new release areas of residential and employment development.

There are 20,000 businesses in the Shire. Currently there are 7 Employment land zones .The world class Norwest Business Park has grown to accommodate more than 20,000 employees with expansion expected to increase capacity to more than 35,000 employees.



There are currently in 5 Residential Zones being developed in the Shire ranging from North to South. In the last 20 years, significant development has occurred in suburbs such as Beaumont Hills, Glenhaven, Kellyville, and Rouse Hill. Over the next 20 years this growth will be focused in Kellyville and Box Hill as well as the remaining areas of Rouse Hill, in conjunction with new development areas in neighbouring Blacktown City. Our population of 177,000 is expected to increase to 280,000 by 2031.

The Hills Shire Council employs 576 full time equivalent staff in a range of services such as economic development, library services, bush care, child care, aged care, community facilities hire, civic events, rural fire services, regulatory services, and waste management services.

Council maintains 312 Buildings, 944 kms of local roads, 572 kms of footpaths and cycle way networks, 20 bridges and Storm water assets containing 27,000 pits. Our open space well exceeds the traditional planning requirements and has 330 parks and reserves forming a total of 1320 hectares for active recreation. Total asset value of \$ 4billion.

The 2011 Census reveals that 32.6% of The Hills Shire residents were born overseas, and 29% speak a language other than English. The languages most frequently spoken (after English) are Cantonese, Mandarin, Korean, Arabic, Hindi and Italian.

Community Goals and Priorities

The Hills Shire Council's Strategic Direction detailed in "Hills Future" has been prepared after extensive Community consultation and it ensures that the organisation has a clear direction which guides the allocation of resources over the long, medium and short term to fulfil the Community Goals and Priorities.

Every two years, Council undertakes a Community Satisfaction Survey in order to provide feedback on services and facilities provided by Council, to examine community attitudes on a broad range of issues and to gather information on what residents see as the most important priorities for the council for the next three years. The most recent Survey was conducted in November 2014 and 96% of residents were "somewhat to very satisfied" with Council which is one of the highest scores received compared to other Councils. (Reference Community Survey Results December 2014)

Challenges in the future

- Planning to provide for the population growth that is expected, in the already established areas, of the Shire due to the North West Rail Link (NWRL). North West Rail is currently under construction and will deliver a train system like no other in NSW. There will be no timetable with a train arriving every 4 minutes. The North West Rail Link is \$9 Billion of state infrastructure that will provide alternative to road transport that will not only assist movement of our residents to the global arc, but also transport communities through us and within us. The corridor is a critical strategic planning initiative that needs to place the right land uses around stations to take advantage of the service, but to create vibrant, safe origins and destinations. It is hoped the NWRL will take some pressure off our roads, and will deliver reliable public transport for this growing population.
- Providing sustainable dwelling and employment growth, that balances the needs of the economy, community and environment.
- We need about 36,000 more houses predominantly for families. Our centers around railway stations will become denser. It is critical that Council is able to ensure housing stocks in high density areas to promote a viable living choice for families to evolve. These communities are diverse, non-transient and have a sense of place, belonging with a high quality of life.
- Managing the future recreational needs of a growing Global City.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Scale and Strategic capacity to govern effectively • NSW Financial Sustainability rating "Strong" and outlook "Neutral" • Infrastructure Audit Ratings - Asset Rating "Strong" • Infrastructure backlog per capita rating reduced from \$ 342 to \$ 84 as at 30 June 2015. (Top Band) • Most assets within Condition 2 & 3 • Debt free with substantial Cash Reserves • Ability to deliver major projects • Resources to cope with complex and unexpected change • Ability to employ & retain suitably qualified staff • Ability to deliver quality services and infrastructure • Ability to influence State and Federal government decisions to achieve local and regional transport & housing needs • More robust revenue base and increased discretionary spending • Ability to undertake entrepreneurial activities • Advanced skills in strategic planning, Forward Planning and policy development • Ability to prepare sound plans to accommodate the increased population (Forecast Population growth 280,000 by 2031) • Ability to undertake joint major infrastructure projects with State and Federal bodies • Strategically inviting in revenue streams that are not rates and grants 	<ul style="list-style-type: none"> • Rate Legislation. Rates are a tax and it's not set in accordance with Taxation laws of equity, efficiency, simplicity and sustainability. Eg Apartments, current rates exemptions, pensioner concessions. • Restrictions on various statutory fees, prevents recovering the full cost of providing that service. • Councils have no control over certain cost increases such as Statutory Charges increasing greater than the Local Government Cost Index. • Just Terms Compensation Act requiring purchase of land in new release areas, before receiving developer contributions. • Ageing workforce • Cost shifting - Local Government being expected to expand services such as Street lighting, Brigade Levy, RFS & SES Levy, Environmental Planning Levy etc. • Delay in providing State Government infrastructure to new release areas. (Hospitals, Schools, Transport)

Opportunities	Threats
<ul style="list-style-type: none"> • Generate other sources of income and less reliance on Rates Revenue • Focus on improvement rather than compliance • Support local jobs and economic growth • Meet diverse needs of different groups • Local Government Reform • Influence State and Federal government decisions to achieve local and regional transport & housing needs • Resource sharing with other councils • Knowledge creativity and innovation 	<ul style="list-style-type: none"> • Escalating land prices • Funding Deficits that are caused by State Government capping Developer Contributions • Funding of land acquisitions prior to receiving Developer Contributions • Ability to provide appropriate Infrastructure outside of "Non Essential " works identified by IPART in new release areas. • Political decisions regarding issues such as cost shifting and rate pegging. • Fluctuations in interest rates, inflation, fuel prices, exchange rates. • Terror threats • Ageing storm water infrastructure built to standards that are no longer relevant

2.3 Performance against the Fit for the Future benchmarks

Sustainability

Measure/ benchmark	2013 / performance	2014 / performance	Achieves benchmark?	FFTF	Forecast 2016 / performance	2017	Achieves benchmark?	FFTF
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	10.4%		Yes		2.1%		Yes	
Own Source Revenue Ratio (Greater than 60% average over 3 years)	61.2%		Yes		68.0%		Yes	
Building Infrastructure and Asset Renewal Ratio (Greater than 100% average over 3 years)	161.7%		Yes		130.7%		Yes	

In respect of the long term Sustainability of the Council our key observations are:

- Council is forecasting an operating surplus each year of the forecast period, when capital grants and contributions are excluded. Council's Unrestricted Current Ratio is above benchmark over the forecast period.

In March 2014 Council undertook another independent analysis by NSW Treasury Corp whereby Council has been upgraded from "sound" to "strong" with a "neutral" outlook, indicating that we would remain strong at least for the next three years.

This financial sustainability rating further emphasises our status as one of the well managed Local Government areas in Australia. This has been made possible by strict budgetary control measures at all levels of operations, prudent investing in the maintenance of our

infrastructure and adopting a cost-conscious approach to spending ratepayer's money. This achievement is all the more remarkable considering this Council was on the brink of insolvency 20 years ago.

If the Fit for the Future benchmarks are not being achieved, please indicate why.

For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 performance	/2014 performance	Achieves benchmark?	FFTF	Forecast 2016 / 2017 performance	Achieves benchmark?	FFTF
Infrastructure Backlog Ratio (Greater than 2%) - should be less than	2.66%		No		1.6%	Yes	
Asset Maintenance Ratio (Greater than 100% average over 3 years)	160.9%		Yes		107.2%	Yes	
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0%		No		0%	No	

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Infrastructure Backlog Ratio

- Council is the custodian of \$4 billion worth of community assets. Council has continued to reduce its infrastructure backlog and with the exception of stormwater, this will reduce to zero by 30 June 2015. This has been achieved without the need to borrow or add special variations to rates.
- Council started with a backlog of \$52m in June 2011. By the end of 30 June 2015, this backlog will be reduced to nil with the exception of stormwater where the backlog is reported as \$15.5m. This represents 1.6% of its infrastructure value of \$949m

which will be within the benchmark of 2%. Council is currently reviewing its storm water/drainage assets to clarify the nature of works and funding needed to eradicate the Backlog on these assets.

- Although there is currently no backlog on Council's building, park, civil, bridge or pathway infrastructure assets, these assets are still ageing. However Council will be proactively renewing these assets prior to falling into an unsatisfactory condition which is evidenced in the Asset Management Funding Objective – "Asset renewals to be given priority over new projects so that existing infrastructure can be maintained at expected service levels (Ref Financial Charter 2.1, Resourcing Strategy – Asset Management)

Debt Service Ratio

Council's total cash and investments as at 30 April 2015 is now at a record of \$290m with unrestricted current ratio at 12.56:1 Council is debt free and has been since 2002. It has always tried to deliver the services that this Shire expects, at a price that the Rate Payers can afford. The Council has proudly delivered surplus results over the last 16 years well within the State Government's Rates Cap.

Therefore in this instance, Council does not agree with the Debt Service Ratio being greater than 0%. In fact when NSW Treasury Corp conducted its review, on both occasions, the Debt Service Ratio was regarded as "NOT APPLICABLE" and regarded Council as being long term financially sustainable.
(Reference: TCorp Final Assessment Report July 2014 page 5)

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2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 performance	/2014 performance	Achieves benchmark?	FFTF	Forecast 2016 / 2017 performance	Achieves benchmark?	FFTF
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	61%		No		58.84%	Yes	

If the Fit for the Future benchmarks are not being achieved, please indicate why.

In the past we have not been meeting these criteria as this is a developing council and we have been building new infrastructure, which in turn increases the depreciation cost. But the population is lagging behind. In the medium to long term, Council will achieve this result as it is expecting a significant growth in population.



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

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Explain the key assumptions that underpin your strategies and expected outcomes.

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

Key assumptions that drive financial sustainability have been mainly due to the flowing:

- Continuing to budget for operational surpluses

Following principles are applied when setting budgets and budgets are closely monitored during the year.

Revenue

- Rate increases limited to State Government's Rates Cap, thus maximising the benefits by providing value for money to the residents.
- Revenue policy reviewed and calculates total cost of services and applies "User Pays Principles" where possible when setting fees.
- Assume State Government will continue to fund the Developer Contribution Gap due to capping of Contribution Rates at \$30k.
- A number of the grants that are received fund specific programs that may not be offered, by the Council if the grants were eliminated.
- It is assumed all recurrent grant funds will be maintained at current levels with CPI adjustments.
- Growing alternative revenue sources.

Expenditure

- Employee costs based on the Award and the current Enterprise Agreement.
- Superannuation contributions 9.5% in FY 15/16 and increasing to 10.25% by FY 22/23.
- Workers Compensation costs assumes Council will remain in the current RPL scheme.
- Asset maintenance given priority over other expenditure.
- Set aside funds from Operating Revenue for known future expenditure each year (E.g. Plant Replacement, Election cost etc.)

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies		Key milestones	Outcome	Impact on other measures
Continue to budget for operational surplus as a high priority.	Total operating revenue for each year is sufficient to meet operating expenditure.		Operational Surpluses	Operating Ratio within benchmarks	Own Source Revenue
Build cash reserves to fund for known future expenditure and to provide for unexpected contingencies e.g. natural disasters and unanticipated legal challenges.	Set aside funds from revenue each year		Sufficient Reserve Balances	Funds available when required	Unrestricted current ratio
Seek additional revenue when increasing level of services are required	Seek new and additional revenue sources in addition to the current revenue structure		Own Source Revenue	Own Source Revenue within Benchmarks	Operating Ratio Performance
Apply User pays principles when setting fees.	Pursue cost recovery for those services where there is a discernible private benefit gained from accessing that service.		Own Source Revenue	Own Source Revenue within Benchmarks	Operating Ratio Performance

3.2 Infrastructure and Service Management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Explain the key assumptions that underpin your strategies and expected outcomes.

Key Assumptions that drive financial performance

Asset Management assumptions, strategies and outcomes are outlined in the Resourcing Strategy – Asset Management Pages 58 to 78 (Hills Shire Plan FY 15/16)

Key Assumptions

- The assets Council manages are fundamental to its overall service delivery to our community. This is to ensure they are appropriate for the needs of the community and are maintained at the agreed levels of service within the financial capacity of Council.
- A full life cycle cost approach will be taken in relation to acquiring future assets, deciding on asset renewal projects and the disposal of existing assets.
- Council's assets are managed through an approved strategic asset management plan using technology, appropriate methodologies and consultation with our community to make sound decisions regarding the allocation of resources in providing, maintaining, renewing and disposing of assets.
- Asset maintenance and renewal program is based upon agreed levels of service with appropriate methodologies to allow Council to focus on proactive maintenance programs rather than reactive complaint based action.

Objectives when preparing Capital Works Programs

1. Asset maintenance given priority over new capital.
2. Ensuring amounts spent on Asset Maintenance is greater than required maintenance.
3. Address Infrastructure Backlog as a priority.
4. All asset management performance measures with Industry benchmarks.
5. Continue to monitor asset condition rating and maintain up-to-date systems.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies		Key milestones	Outcome	Impact on other measures
Maintain infrastructure at expected service levels as identified in the Asset Management Strategy	A. Provide sufficient funds to maintain assets to identified service levels B. Expenditure on asset renewal be given priority over new capital		All Assets maintained at satisfactory levels	Asset Ratio > 100% Infrastructure backlog within benchmarks or lower	Asset Maintenance Ratio Capital Expenditure Ratio
Provide new capital within Councils financial capabilities.	A. Capital Expenditure project proposals, to identify lifecycle cost evaluations which include construction, maintenance, operations and transfer to reserves for replacement. B. Any new Capital Expenditure Projects to identify the source of funding and the delivery of the project to reflect the timing of the receipt of funds. C. Consider borrowing for new capital only if a continuous income source can be identified to service the debt.		Delivery of new assets on time and within Budget.	Ability to maintain new assets at satisfactory levels.	Asset Maintenance Ratio Capital Expenditure Ratio

3. Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

Explain the key assumptions that underpin your strategies and expected outcomes.

1. Ensuring sound governance based on transparency and accountability.
2. Maintaining a capable, skilled and competent workforce and ensuring staff numbers are within + or - 2.5% each year
3. Ensuring resources are available to cope with complex and unexpected change
4. Providing cost effective services within the Rates cap.
5. Continuing to monitor cost of providing services and seek cost efficient services.
6. Undertaking proactive maintenance, thus reducing depreciation.
7. Undertaking entrepreneurial activities to source new income.
8. Acquiring land even before the population arrives and that contributions are received to provide necessary infrastructure for orderly development in new release areas.
9. Responsible planning to create a desirable living environment to meet growth targets.

3

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.Reduce Expenditure whilst maintain existing service levels	1. Continuous Cost Benefit analysis of providing services. 2.Re-engineering process to reduce waste especially with use of new technology	Reduction in real expenditure	Decreasing real operating expenditure per capita	Operating Performance Ratio
2.Provide more efficient ways to deliver services for a growing population	Provide services within existing staff numbers	Staff to Population Ratio	Decreasing real operating expenditure per capita	Operating Performance Ratio
3.Value for money in all procurement activities	Centralised procurement practices	Reduction in real expenditure	Decreasing real operating expenditure per capita	Operating Performance Ratio

3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan.

Action plan

Actions	Milestones
3.1 Operating Performance	
Continue to budget for operational surplus before Capital Grants and Gain /Loss on disposal of assets as a high priority	June 2016
Continue to budget for Rates income limited to Rates Cap with Growth for new release areas	June 2016
Continue to apply the Financial Charter when preparing the Budget	June 2016
Continue to give priority to Infrastructure funding before all other services	June 2016
Continue to allocate from Recurrent Income funds for known future expenditure & contingencies	June 2016
Continue to prepare Budgets on a full cost basis, and set fees & charges where possible to recover costs	June 2016
Continue to operate cost neutral (full cost including overheads) services in Waste, Child Care and Aged & Disability Services	June 2016
Continue to not provide services where Grant funding is ceasing or changing	June 2016
Continue to generate income from entrepreneurial activities	June 2016

3.2 Infrastructure	
Continue to monitor and deliver infrastructure for new release areas. Continue to monitor and deliver infrastructure for new release areas.	Next 20 years
Continue to borrow within Section 94 first, then Reserves to fund land acquisitions in Contribution Plans where Section 94 Contributions are nil or negative (E.g. Box Hill Plan)	June 2016
Create a Storm Water (SW) Backlog Reserve to fund SW backlog when identified	June 2016
Continue to seek Grant Funding where possible for specific expenditure	June 2016
Continue to set aside funds for asset renewal equal or greater than Depreciation	June 2016
Continue to provide funds for Asset Maintenance greater than Required maintenance	June 2016
Continue to allocate from Recurrent Income funds for Plant & Equipment replacement over 10 years	June 2016
3.3 Efficiency	
Continue to maintain or increase population to staff ratio	June 2016
Continue to implement new systems to get Productivity gains (Eg My DCP)	June 2016
Undertake Priority Precinct Planning around NWR stations to support population growth and job creation	June 2016
Continue to meet FFF Ratios & Benchmarks	June 2016

Please attach detailed action plan and supporting financial modelling

Outline the process that underpinned the development of your Action Plan.

For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.

How We Prepared the Action Plan

Background

Moving from a Council which was under administration 23 years ago to one of the best in the Industry requires acknowledging the commitment and the discipline of past and present Councillors in adhering to the principles of the adopted Financial Charter when setting Budgets.

This Council has always treated ratepayer's money with care and respect and brings sound business practices into Local Government. Recent Property Development activities generated well over \$40m in cash profits and it is projected that Council will be starting this Budget year with Reserve funds exceeding \$125m. The Hills Shire Council has always tried to deliver the services that this Shire expects at a price that the Rate Payers can afford. Council has proudly developed Budgets for the last 15 years well within the State Government's Rates Cap.

Council is also debt free and has been since June 2002. This Budget builds on and continues the framework of previous Budgets, ensuring that spending is within the income that is received. This practice has been very successful in the past and has meant The Hills Shire is one of the more sustainable Councils in NSW.

This Year

Each year two Strategic Planning workshops are held with Councillors and senior staff to discuss financial matters and review and set priorities to formulate the Budget. No external consultants were used in preparing this Action Plan. This year the Strategic Planning Workshops were held in November 2014 and March 2015. Draft Budget is presented to Councillors at the second Workshop and the final Budget was tabled at a meeting in May 2015. Final adoption of the Budget was on the 23 June 2015.

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards.

Council's submission responding to the Independent Review Panel was, and is, proactive. It embraced the opportunity to improve the Local Government sector. The Hills Shire Council is able to take on more and its alternate proposal will, by and large, help deliver the outcomes of the Independent Review Panel's recommendation.

This Council did formally write to Hawkesbury, Hornsby and Parramatta Councils to discuss The Hills Shire Council's Preferred Option detailed below, but all three Councils declined the offer.

- The Hills Shire Council declined the request from Hornsby Council's request for a complete amalgamation.
- Hawkesbury Council did not meaningfully engage at all, but informed that they will not consider a merger with the Hills.

The Hills Shire Council preferred option adopted by Council on 25 June 2013. This Position still remains.

The Hills Shire Council has put forward an alternative recommendation that considers changes involving Hawkesbury City Council and Hornsby Shire Council and, to a smaller extent, Parramatta City Council. Council's proposal outlining the reasons for this preferred option is summarised below.

This option is based on retaining the south of M2 with The Hills Shire Council and would result in the suburbs below the M2 including North Rocks, Carlingford, North Parramatta and Baulkham Hills remaining with the Hills and the boundary between The Hills Shire and Hawkesbury City Council should be Windsor Road to South Creek and then to the Hawkesbury River which provides a logical physical natural boundary.

The proposed Hills Shire Council boundary extends from Thompsons Corner at West Pennant Hills southwards along Pennant Hills Road to the M2 Motorway at Carlingford. There it travels east along the M2 to Beecroft Road at Epping. It then turns southward

along Beecroft Road until Carlingford Road where it turns east and runs the entire length to Pennant Hills Road, Carlingford incorporating Carlingford Court (from Hornsby Council). It turns left into Pennant Hills Road where it then continues in a south-westerly direction encompassing North Rocks and part of North Parramatta north of James Ruse Drive (including Lake Parramatta) (from Parramatta Council) until the junction of James Ruse Drive.

It then turns right into James Ruse Drive (Cumberland Highway) and in a north-westerly direction encompassing Northmead. Continue along Brien's Road into Old Windsor Road, encompassing Old Toongabbie, Winston Hills (from Parramatta Council) and in a northerly direction Baulkham Hills, Bella Vista and Kellyville until the junction of Windsor Road at Beaumont Hills. It continues north along Windsor Road encompassing Rouse Hill and Box Hill. The boundary continues through Oakville, McGraths Hill and to the township of Windsor (all from Hawkesbury Council) where it meets South Creek and then onto the Hawkesbury River at its junction.

The boundary then follows the river in a north easterly direction and includes Pitt Town, the remainder of Cattai, South Maroota, Sackville North, Lower Portland, Leetsvale and then to Wisemans Ferry.

Then it is proposed to follow Hawkesbury River south from Wisemans Ferry, including the suburbs of Laughtondale, Singleton Mill, Canoelands, the township of Berowra Creek into Berowra Creek waterway, including Fiddletown then to the township of Berowra Waters on Berowra Waters waterway, back onto Berowra Creek waterway, including Berrilee and Galston to Galston Gorge (all from Hornsby Council).

It continues along Berowra Creek encompassing Dural until it meets the Berowra Valley Reserve, which skirts the northern side of Cherrybrook and the western side of the suburbs of Hornsby and Westleigh and then to Pyes Creek until it meets New Line Road. It turns left onto New Line Road and travels in a southerly direction until it meets Castle Hill Road. It turns left and continues to Thompson Corner at West Pennant Hills.

Note that the proposed boundary adjustments incorporates the whole of Forest Glen, Glenorie, Arcadia, Middle Dural, Glenhaven and all of Castle Hill (all from Hornsby Council).

Also North Parramatta, Bunnings at North Rocks and the part of Oatlands within the current Hills Shire would then be part of Parramatta Council under this proposal.

While these are boundary adjustments, this will facilitate fewer Councils in the region. Council is of the view that uniting of divided suburbs will bring greater advantages to these suburbs especially when it comes to infrastructure delivery. The proposed borders utilise natural boundaries and reflect a sense of identity, planning relationships and strategic considerations within North West. It also contains relevant communities of interest.

The Hills Shire Council's Preferred Option will increase the population by 59,220 as per the following changes:-

Parramatta Council – Net Gain in Pop 12,338

- This would use Pennant Hills Road, James Ruse Drive and Old Windsor Road as a boundary and would result in the divided suburbs of Northmead, Baulkham Hills, Carlingford and Winston Hills to The Hills Shire Council. This would mean Oatlands and part of North Parramatta would be incorporated into Parramatta City Council's boundaries.

Hawkesbury Council – Net Gain in Pop 8,261

- This would utilise Windsor Road as The Hills Shire's boundary to South Creek and from South Creek to its junction with the Hawkesbury River.
- It would mean the divided suburbs with Hawkesbury Council (Cattai and Maraylya) will be wholly within The Hills Shire Council.
- The Hills Shire Council would gain the suburbs of Pitt Town, Scheyville, Oakville and part Vineyard, Mulgrave, and McGrath Hills from Hawkesbury Council.

Hornsby Council – Net Gain in Pop 38,621

- It would align the divided suburbs with Hornsby Council Castle Hill, Glenhaven, West Pennant Hills, Carlingford, Dural, Middle Dural, Glenorie, Maroota and Wisemans Ferry with The Hills Shire Council.
- The Hills Shire Council would gain part of Carlingford, Beecroft and Epping (alternatively, if this was incorporated into Parramatta City Council, the net gain from Hornsby City Council would reduce by around 12,692 persons with the boundary becoming Pennant Hills Road to Thompsons Corner).
- The Hills Shire Council would gain whole of Galston, Arcadia, Berrilee, Fiddletown, Canoelands, Singletons Mill and Laughtondale, Berowra Creek, Forest Glen from Hornsby Council.

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4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	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)	2.11%	3.33%	3.21%	3.6%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	68.03%	71.15%	73.5%	75.73%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	130.74%	127.36%	129.55%	126.03%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	1.59%	1.56%	1.51%	1.45%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	107.20%	107.16%	107.61%	107.79%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0%	0%	0%	0%	No
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	58.84%	58.04%	57.52%	56.44%	Yes

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4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

For example, historical constraints, trade-offs between criteria, longer time required.

The Hills Shire Council has been achieving all the FFF benchmarks and all the projections indicate that they will be in the future with the exception of Debt Service Ratio. As indicated previously, Council does not have the need to borrow externally as it has substantial cash reserves on hand.

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5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.

Council will monitor the progress of the key actions listed under Section 3 via the Integrated Planning and Reporting Framework and the Monthly Budget review process.

Each Group Manager and the relevant Managers are responsible for his/her area of responsibility, to deliver the actions listed in the Delivery Program and the adopted Budget.

Chief Financial Officer is responsible to monitor both and report to Council, how the Council is travelling against the adopted Budget and the actions in the Delivery Program. Each month meetings are held with all Managers responsible for managing a Budget, and any variations are reported to Council on a monthly basis. Progress of the Delivery Program Actions is reported on a quarterly basis to Council.

ATTACHMENT 2

ORDINARY MEETING OF COUNCIL

25 JUNE, 2013

ITEM-24	INDEPENDENT REVIEW PANEL - 20 ESSENTIAL STEPS
THEME:	Proactive Leadership
HILLS 2026 OUTCOME/S:	PL 3 Our community is effectively governed.
COUNCIL STRATEGY/S:	PL 3.1 Integrate and align Council's activities with the Australian Standard for Risk Management principles and guidelines, provide legal services to Council and equip Council's elected representatives for their role in the community.
GROUP:	EXECUTIVE GROUP MANAGER – STRATEGIC PLANNING
AUTHOR:	MICHAEL EDGAR GENERAL MANAGER DAVE WALKER
RESPONSIBLE OFFICER:	GENERAL MANAGER DAVE WALKER

Introduction

The Independent Local Government Review Panel (The Panel) has recently made a number of recommendations about the future direction for Local Government in New South Wales. One of The Panel's many recommendations is that Councils should consider merging or realigning boundaries to achieve greater sustainability.

The Panel recommends no substantial change for The Hills Shire Council – with consideration of slight boundary adjustments with neighbouring Councils, and potentially a future merger with Hawkesbury Council.

The Hills Shire Council is offering an alternative recommendation that considers changes involving Hawkesbury and Hornsby Shire Councils and, to a smaller extent, Parramatta City Council. While these are boundary adjustments, this will facilitate fewer Councils in the region. As a result, the Panel's recommendation to merge Ku-ring-gai with Hornsby can be achieved in part.

This report proposes that a submission be forwarded to the Minister for Local Government, The Hon. Don Page MP, with a suggested significant boundary realignment that will not only result in a greater degree of financial sustainability and service delivery, but will greatly enhance representation in terms of communities of interest, growth, planning, infrastructure delivery and relations – particularly with the Department of Planning.

Background

There has never been a greater period of change and opportunity confronting Local Government in NSW. Since the last State election, the NSW Government has embarked on a process of reviewing the legislative context and system of Local Government,

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including the planning system. The NSW Government is committed to a comprehensive review of both the Local Government Act 1993 and the Environmental Planning and Assessment Act 1979. The scope for reform is wide reaching.

The Independent Local Government Review Panel appointed by the NSW Government has released its Stage 3 report: 'Future Directions for NSW Local Government - Twenty Essential Steps'. The Panel has requested feedback on Stage 3 suggestions before issuing a final Stage 4 report. While Council has prepared a response to the Stage 3 report, the purpose of this report is to consider Council's response to reducing the number of Councils in NSW, including metropolitan Sydney.

There is no doubt that the cumulative effects the many studies into our system of Local Government will eventually mean there are fewer Councils in NSW. The NSW Government's present policy of no forced amalgamations may not be carried forward into future governments and, given the rather dire outlook of the industry presented by NSW Treasury Corporation (TCorp), reduction and loss of Councils due to other circumstances may be inevitable sooner rather than later. It remains to be seen that even if smaller Councils are able to turn around their financial fortunes, whether they are able to provide strong strategic services to their communities.

The case for less Councils is being established through the work of COAG, The NSW Government's Independent Local Government Review Panel, The NSW Local Government Acts Taskforce into a new Local Government Act for NSW, and the White Paper on the NSW Planning System. It can also be argued that the issue of constitutional recognition of Local Government is also a possible pointer to a greater diversity of the role of Local Government. This would suggest larger, more strategically capable Councils are needed to respond to the future needs of State and Federal governments and communities. It is widely accepted that Local Government is relied upon by State and Federal agencies to deliver on-the-ground services and facilities that go beyond roads, rates and rubbish. The argument for larger Councils has moved beyond economies of scale efficiencies but to strategic capacity.

Notwithstanding The Hills Shire Council's financial strength and overall capability in terms of asset management, community advocacy and service delivery, Council should not be complacent about future changes to the Local Government industry. While the Stage 3 report of the Independent Local Government Review Panel recommends no change to The Hills Shire, it does foreshadow a future amalgamation with Hawkesbury, a boundary adjustment with Parramatta City (to hand over parts of North Rocks, Northmead, Winston Hills, Carlingford and Oatlands south of the M2), and a rationalisation of the growth centre areas of Blacktown, Hawkesbury and The Hills. So on one hand no change, but recommendations with significant consequences for the Shire on the other.

It is considered in The Hills Shire's best interest strategically to consider changes that would result in a larger Local Government area. At the least, changes along our disrupted boundaries will ensure those communities are better placed to meet future challenges and could deliver larger but fewer Councils in our region of Sydney. It is considered that The Hills Shire has demonstrated best practice in leadership, governance and service delivery and is in a prime position to govern a larger local government area.

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REPORT**Local Government Sustainability**

A sustainable, well-financed system of Local Government is desirable and needed. The NSW Treasury Corporation (TCorp) recently published a study into the financial position and sustainability of NSW Local Councils, defining sustainability as:

"A local government will be financially sustainable over the long term if it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community."

The study has raised questions about the financial state of NSW Local Government, with only three Councils found to have sound financial sustainability with a positive outlook. The Hills Shire Council is one of those Councils, along with Sydney City and Warringah. Given the financial position of The Hills in the late 1980s and early 1990s, this Council is a remarkable demonstration of how a Council's fortunes and future can be turned around.

TCorp listed the key features of a sustainable Council as being:

- Quality management and staff that is experienced and skilled.
- A responsible Council that understands its role.
- Good reporting and budgeting processes.

It is alarming that the TCorp report identified that the majority of NSW Councils are operating in deficit and in 2012, only 50 of 152 Councils reported an operating surplus. TCorp also indicated they believe Councils could be understating their deficits and that financial sustainability is declining.

The Independent Local Government Review Panel has also considered TCorp's findings. Its proposed goal for local government is:

"A more sustainable system of democratic local government that has added capacity to address the needs of local and regional communities and to be a valued partner of state and federal governments."

The Panel has concluded, in its Stage 3 report, that new directions must be pursued to transform the culture, structures and operations of NSW Local Government - as well as relationships with the State. To the Panel and others, it is apparent that Local Government is in need of reform and that reform will clearly result in fewer Councils.

Reducing the number of Councils throughout Australia is not new. All States have less Councils today than at the same time last century. The evidence is growing that larger, better-resourced Councils will be necessary to deal with the demands and complexities facing Local Government. Just as in the business world, it should be possible to have financially sustainable Local Councils regardless of size. However, it would appear that larger Councils have greater opportunities in terms of relations with government, greater success with grant funding, greater economies of scale, greater ability to attract and retain key staff and appropriate management resourcing.

Reshaping Metropolitan Governance

The Independent Local Government Review Panel has found that the current governance of Sydney needs to fundamentally change to address increasing imbalances in the

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structures of Local Government between Eastern and Western Sydney due to population changes. The Panel suggests that this will be inequitable and impede sound strategic planning and effective State-Local collaboration.

The Panel observes, areas characterised by smaller Councils (in both population and area) will lack the capacity to make a truly strategic and meaningful contribution to metropolitan governance and will struggle to present a united view on behalf of their communities. This factor along puts those communities at a representative disadvantage regardless of their financial position and outlook. The Panel has considered the views put against amalgamation and feel that many of the negatives can be overcome and that, on balance, fewer Councils are more desirable.

There are six factors listed by the Independent Local Government Review Panel that inform the makeup of Local Government boundaries. These are: population, accessibility, communities of interest, local identity and sense of place, strategic capacity, efficiency and effectiveness, strong centres, infrastructure assets, removing disruptive boundaries and combining existing municipalities.

These factors are considered relevant by the panel for the following reasons:

Population Growth

- The boundaries of a Local Government Area (LGA) should be able to accommodate projected population growth generated by the LGA over at least the next 25 years.

Accessibility

- As a general rule, it should be possible to drive to the boundaries of a LGA from a main administration centre within 60 to 90 minutes in country areas and within less than 2 hours in country areas and within 30 to 45 minutes in metropolitan areas.
- Difficult terrain, forests, rivers, wetlands, etc can act as natural boundaries for LGAs while water catchments, valleys and river crossings may be important uniting factors. Freeways and railways are important elements in urban areas.

Communities of Interest

- There is still no definitive approach to the concept of 'communities of interest' which can vary widely in their focus and extent. Some are strongly place-based, others are not, especially in metropolitan areas.

Local Identity and Sense of Place

- Boundaries should reflect a sense of identity and place, including important historic and traditional values, and the extent of other social and economic interdependencies. However, incorporating communities into larger LGAs does not necessarily destroy local identity and sense of community.

Strategic Capacity

- Councils need a strong base to achieve economies of scale and scope; to deliver quality services; to provide a pool of talented Councillor candidates; to attract skilled staff and to develop strategic capacity in leadership, governance, advocacy, planning and management.

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Efficiency and Effectiveness

- Councils should be able to operate efficiently and effectively within the limits imposed by their location, geography and the characteristics of the communities they serve. They should be able to provide 'value for money' to their ratepayers and external funding agencies.

Strong Centres

- Each LGA should have a population centre that provides higher order commercial, administrative, education, health and other services.

Infrastructure Assets

- As far as possible, key transport infrastructure such as airports and ports, and nearby urban and regional centres that are principal destination points, should be within the same LGA. Boundaries should also facilitate provision of local infrastructure such as water supply, sewerage, drainage and open space.

Removing Disruptive Boundaries

- Some existing LGA boundaries are divisive and obstruct good governance. They impede integrated planning, strategic infrastructure development, efficient service delivery and regional economic growth.

Combining Existing Municipalities

- Wherever practicable, amalgamations should combine the whole of two or more existing LGAs without the additional cost and disruption of associated boundary adjustments.

The Hills Shire perspective

On the issue of 'reshaping metropolitan governance', the Independent Local Government Review Panel has recommended no change to The Hills Shire's boundaries except for:

- Boundary with Parramatta City shifted to the M2,
- Possible boundary adjustments with Blacktown and Hawkesbury to facilitate the North West Growth centre, and
- Possible long-term merger with Hawkesbury.

As previously stated, The Hills Shire Council is one of three NSW Councils assessed as being in a sound financially sustainable position with a positive outlook. Given our population over the next 25 years is expected to grow by another 75,000 people to around 250,000, the recommendation of the panel is understandable.

The Hills Shire is in a prime position to show leadership and be the driver of change. The Shire possesses an experienced and skilled workforce that has proven resilient and adaptable to changing needs. The Hills Shire has a Council that is cognisant of its role and responsibilities and has adopted and implemented effective governance policies and procedures that have built a reputation for sound sustainable Local Government. Council has been prepared to put itself on the line to represent the region. For some time now, The Hills Shire has been approached by both local and metropolitan media for its views on Local Government matters impacting the North West. The new Council premises in Norwest Business Park has sufficient space to accommodate a larger workforce. In short,

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The Hills Shire is appropriately resourced and skilled to manage a larger Local Government Area.

One of the recommendations of The Panel suggests boundary readjustments with Parramatta City Council. This is principally about giving the Parramatta LGA a bigger geographical land mass. The criteria identified for establishing Local Government boundaries outlined earlier in this report suggests that size has been a factor in Parramatta not reaching its potential role as a CBD. Removing those parts of The Hills Shire south of the M2 does not support this. A boundary adjustment with Parramatta City to hand over parts of North Rocks, Northmead, Winston Hills, Carlingford and Oatlands south of the M2 will remove a significant population base from The Hills Shire that will affect our financial capacity. These suburbs are also identified as areas that can help accommodate our projected population growth.

In terms of cementing Parramatta's future role, the suggestion of an amalgamation with the whole municipalities of Auburn and Holroyd does seem compatible with The Panel's criteria and would certainly combine a significant community of interest in terms of diversity, trade and population. Parramatta should also be encouraged to grow vertically. One of the disincentives for greater building heights is the current rate system, and the Independent Local Government Review Panel is rightly recommending changes to how Councils are financed. A rate model that does not have a bias against high rise should be developed. There is no doubt Parramatta will be an important CBD for several surrounding regions including The Hills Shire, Blacktown City, Penrith City and the surrounding South-Western Sydney LGAs.

The suggested boundary adjustments around the growth centres are principally aimed at having a homogenous planning and compliance authority over the growth centre. Combining the growth centre areas of The Hills, Hawkesbury and Blacktown makes little sense given the planning for these areas has been completed and the development standards have been standardised through the State Government's plan-making process. This proposal therefore has little or no merit in itself and represents minor tinkering for little community benefit.

The Panel recommends some consideration be given to an adjustment or realignment of the growth centres boundaries. Blacktown Council may have an expectation that the growth areas of Box Hill/Nelson may be dedicated to Blacktown. It could equally be argued that the growth centre area of Blacktown, north of the existing centre of Schofields Road, would be more appropriately incorporated into The Hills Shire - however no change is proposed to the growth centres boundaries. This will ensure that those Councils managing growth - i.e. The Hills and Blacktown - with targets in terms of residents and housing do not necessarily need to realign their plans, and also ensure a broad socio-economic demographic mix.

The Panels suggested possible long-term merger with Hawkesbury is worthy of close consideration. It might be more appropriate for the towns west of the Hawkesbury River be amalgamated with Blue Mountains city to give a greater financial base to Blue Mountains. The opportunity The Panel may have missed, however, is the opportunity of a merger between The Hills Shire and Hornsby Local Government Areas. The panel is suggesting a Hornsby Ku-ring-gai merger; however, for reasons outlined in this report, a merger with The Hills as outlined in this report with the residue of Hornsby being amalgamated with Ku-ring-gai would make better sense. Consideration could then be given to merging Ryde Council with Ku-ring-gai and the residue of Hornsby.

**Council's preferred option
(See Attachments 1 and 2)****The Hills Shire Local Government boundaries**

When considering the criteria The Panel has used to determine Local Government boundaries, The Hills Shire's existing boundaries do raise some anomalies and questions. The Hawkesbury River provides a logical physical natural boundary. However, our current boundary with Hornsby and Parramatta Councils are in the main, disruptive.

The Hills Shire has demonstrated its ability to lead with leading roles in relation to the urban population debate, infrastructure, housing supply, environmental management, community engagement and the like. By any measure, The Hills Shire Council is in a healthy state and is modelling those attributes and behaviours that the literature indicates as being 'best practice' in Local Government governance and performance. Accordingly, this report puts forward two options for recommending to government for a larger Local Government Area.

The towns of Wisemans Ferry, Maroota, Glenorie, Dural, Round Corner, Castle Hill, West Pennant Hills and Carlingford are severed by the Local Government boundary. This can often make good governance difficult (in terms of land use planning, asset planning and service delivery). This is also the case with Parramatta City around the suburbs of Carlingford, Oatlands, North Parramatta, Northmead and Winston Hills. It is also disruptive between Hawkesbury City Council north of Boundary Road in the suburbs of Maraylya, Cattai, Sackville and South Maroota up to the Hawkesbury River.

The Panel has identified that 'communities of interest' arguments are difficult to define, however they are identified by place (areas of trade, employment, and gathering) cultural similarity, connections and association.

This report proposes that a submission be forwarded to the Minister for Local Government, The Hon. Don Page MP, with a suggested boundary realignment of substance that will not only result in a greater degree of financial sustainability and service delivery, it will also greatly enhance representations in terms of communities of interest, growth, planning, infrastructure delivery and relations with Government departments - particularly the Department of Planning - in regard to many of the issues pertaining to growth, planning and infrastructure delivery, not able to be addressed previously. The outcome of these boundary realignments will also go some way to achieving a reduction in the number of Councils in Sydney.

Hills LGA South Eastern Boundary

The Eastern boundary of The Hills Shire could run from Thompson's Corner at West Pennant Hills, heading south along the Cumberland Highway to the intersection of the M2 Motorway, utilising the existing boundary.

It could then run east at the M2 along the Motorway's southern boundary to the Northern Rail Line at Epping. At this juncture, the boundary could run south along the rail line boundary to Carlingford Road, Epping. At Carlingford Road the boundary could run west back along Carlingford Road to the intersection at Cumberland Highway at Carlingford Court. From this point, it could follow the Cumberland Highway to James Ruse Drive at North Parramatta and head North West to the Windsor Road underpass.

Carlingford is currently divided by three Local Government Areas - The Hills, Hornsby and Parramatta - and has a residential population of 21,571 (ABS 2011). This has led to

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difficulties with competing planning controls, particularly adjacent to Carlingford Court and the commercial strip at Pennant Hills Road (Cumberland Highway) where the three boundaries collide. The population of Carlingford is split between the three LGAs - 58% in The Hills, 27% Parramatta and 15% Hornsby. Ideally, it would be preferable to contain the entire suburb of Carlingford within the one LGA. However, it is recognised that the breath of the suburb boundaries across the three LGAs, and the unique suburb boundary lines, make it difficult to place this entire suburb within one LGA.

It is suggested that the two major roads that divide Carlingford - Carlingford Road and Pennant Hills Road (Cumberland Highway) - be defined as the natural boundary between the Parramatta and The Hills Local Government Areas. This outcome would deliver approximately 72% of Carlingford united within The Hills LGA, with Parramatta and The Hills jointly responsible for development along the Cumberland Highway and Carlingford Road.

The construction of the M2 Motorway, which commenced in 1995 and opened in 1997, has reinforced the natural North/South boundary between Carlingford/Beecroft and Epping communities south of the M2 and Cheltenham, the Beecroft Town Centre and Pennant Hills to the North. The south side of the M2 runs from the Main Northern Rail Line at Epping, across to Beecroft, Carlingford and North Rocks. This natural boundary is recognised at the Federal level with the Divisions of Bennelong and Berowra divided by the M2 Motorway.

Carlingford Court is the focal point for this community is the areas major shopping centre. Carlingford Court attracts mainly local residents from the adjoining suburbs of Carlingford, Epping, Beecroft and West Pennant Hills. While these suburbs are currently divided by three LGAs, the demographic make-up across these four suburbs is not inherently different. Carlingford Court has served this community since 1965 and is located within the Hornsby LGA at the intersection of Pennant Hills Road and Carlingford Road. It is a sponsor and supporter of a number of local community groups including the Epping YMCA adjacent to West Epping Public School, the Carlingford Baseball Club which plays its home games at Murray Farm Reserve within The Hills LGA - and provides a community hall for the Carlingford Bridge Club, Carlingford Seniors Club and Carlingford Ladies Club, all of which contain residents from these four suburbs.

The Roselea Football Club is the largest sporting club in the Carlingford area and contains 55 teams with just under 700 players from across Carlingford and adjacent suburbs. The club plays its home games at Harold West Reserve within The Hills LGA and the Carlingford and Roselea Ovals within the Hornsby LGA. The Carlingford Waratahs Cricket Club plays its home games at the Carlingford and Roselea Ovals (Hornsby) as well as Harold West Reserve within The Hills LGA.

Carlingford High School is the areas major comprehensive secondary educational facility and its student catchment contains those from the suburbs of Carlingford and the adjacent suburbs of Beecroft, Epping and West Pennant Hills.

The Catholic Parish of Epping and Carlingford is headquartered at St Gerard's Carlingford. St Gerard's also contains a catholic primary school for the Carlingford and Beecroft catchment.

Carlingford has a natural affiliation with The Hills dating back to its early days prior to urban development as former orchard land where oranges were once grown. The long running Orange Blossom Festival, organised by The Hills Shire Council, highlights this historic link in a similar manner to Eastwood's Granny Smith Festival within the Ryde LGA.

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Bus routes 546 and 549 connect Parramatta and Epping on routes through Ray Road, North Rocks Road, Pennant Hills Road and various backstreets in Carlingford and North Rocks within The Hills LGA.

The bulk of Carlingford is strongly identified with The Hills/Baulkham Hills area, rather than Parramatta. While the Federal electorate of Parramatta currently extends to North Rocks Road to include parts of North Rocks and Carlingford, residents north of Pennant Hills Road identify closely with The Hills Shire and Castle Hill as its major regional centre, rather than Parramatta.

Beecroft south of the M2 to be a part of The Hills LGA

As said above, the construction of the M2 Motorway in 1995 has split Beecroft in two. Although both sections are linked by the Murray Farm Road M2 overpass, there is a clear divide with residents at the southern end more closely linked to Carlingford and Epping through community groups, public transport links and educational facilities, with those to the north closer to Pennant Hills and Hornsby.

Beecroft south of the M2 is linked to Carlingford by Carlingford Court and the local North Carlingford village shops. This part of Beecroft is contained within the Federal Division of Bennelong and the state electorate of Epping that also contains Carlingford. School-aged students residing in this part of Beecroft attend Carlingford High School, Roselea Public School and St Gerards.

Route 553 bus service links Beecroft to Carlingford, West Pennant Hills and North Rocks in The Hills LGA. This service runs along North Rocks Road and Pennant Hills Road in Carlingford.

The Roselea Bush Care Group is a local community group committed to preserving the bush and wildlife corridor in the parkland behind Roselea Public School, Orchard Road, Beecroft and adjacent streets. The group is comprised of residents from Beecroft and Carlingford.

North Rocks Road links Beecroft and North Carlingford to The Hills LGA parts of Carlingford and Westfield North Rocks - another major shopping centre.

Epping, north of Carlingford Road to be a part of The Hills LGA

The M2 has reinforced a natural boundary between the suburbs of Beecroft, Cheltenham and Epping at the point of the Main Northern Rail Line's overpass of the motorway. Beecroft Road running from Epping to Pennant Hills Road is the only thoroughfare for residents living in this section of Epping to head north. Carlingford Road is the current boundary between the Hornsby and Parramatta LGAs (except for the part of Keeler St, Carlingford) and also serves as a natural council boundary.

Our submission notes the intent of the independent panel for the Epping Town Centre to be united under one LGA, however, we see this as a role for Parramatta Council to continue to maintain all areas south of Carlingford Road and collect all parts of Epping east of the rail line through to North Epping, linked to Epping Road. While a small part of Epping's commercial district north of Carlingford Road would come under The Hills LGA under our proposal, the Epping Town Centre across both sides of the rail line would be united under the Parramatta LGA. A revised Hornsby LGA would sit north of the M2 Motorway.

The part of Epping, currently within the Hornsby LGA and bounded by Carlingford Road, like Beecroft, is closely linked to Carlingford via Carlingford Court, educational facilities, community groups and public transport routes. Carlingford Court is the major shopping

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centre in the area and draws many of its customers from this part of Epping. Carlingford High School's catchment runs east to Epping, north of Carlingford Road.

The major thoroughfares in this area are Carlingford Road from Epping to Carlingford and Ray Road from Carlingford Road to Pennant Parade. Route 630 runs along Carlingford Road from Epping to Carlingford Court then Pennant Hills Road and North Rocks to North Rocks before continuing to Baulkham Hills, Seven Hills and Blacktown. Routes 546 and 549 run from Epping Station to Parramatta, along Ray Road. The 549 continues along North Rocks Road to North Rocks and Parramatta, the 546 runs along various back streets to Carlingford Court, North Rocks, Oatlands and Parramatta. All three routes link this part of Epping to The Hills LGA. The M54 Macquarie Park to Parramatta service via Epping and Carlingford runs along a part of Carlingford Road and Pennant Hills Road.

The construction of the North West Rail Link from Epping to Rouse Hill via 15 kilometres of underground tunnel through Cherrybrook, Castle Hill and Bella Vista links the major rail station in Epping to the Hills. Many of these residents are within close walking distance to Epping Station or by one of the regular above mentioned bus services.

The Epping Veterinary Clinic upon the northern side of Carlingford Road, Epping is a long established clinic that serves the Epping, Carlingford and North Rocks communities.

The catholic parish of Carlingford and Epping is headquartered at St Gerards Carlingford upon North Rocks Road, Carlingford.

The Epping-Carlingford Carols in the Park are held annually and organised by the combined Epping and Carlingford Anglican churches.

Cumberland Highway Southern boundary (Pennant Hills Road to James Ruse Drive)

A physical or geographical boundary is one factor that should be considered in assessing local government boundaries. The proposal by the Panel for that part of The Hills Shire Council below the M2 to be incorporated into Parramatta has provided an opportunity for a whole different approach. It is reasonably clear that the residents of North Rocks, Carlingford, Oatlands, Northmead and Winston Hills do not see their community of interest or alignment with Parramatta but rather with The Hills Shire and even in terms of shopping centres, including the residents on the eastern side of Northmead, there is a substantial shopping centre in North Rocks and interestingly on the western side of Windsor Road, a substantial shopping centre at Winston Hills in The Hills Shire which is no doubt frequented by many of the residents in the Parramatta part of Northmead. The M2 provides access to residents to the north of the M2 and south of the M2. It does not necessarily provide a divide between us and Parramatta. The real divide would appear to be James Ruse Drive and the significant road network both to the west and the east.

In other words if a physical barrier was to be used together with community of interest, then a more appropriate physical barrier/boundary would be based on James Ruse Drive with O'Briens Road to Old Windsor Road to the west and then Pennant Hills Road to the east. This would mean that Oatlands would essentially become part of Parramatta Council which it would be anticipated is largely the community interest and shopping destination etc. It would also mean that a very small part of what is now The Hills Shire Council to the south of James Ruse Drive, around Bunnings, who also no doubt have a community interest in Parramatta would go to Parramatta Council.

It is interesting in terms of community interest and relationships that people leave James Ruse Drive on their way home from work etc. to go north into Northmead, both

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Hills Shire Council side and Parramatta side. Whereas on the other hand, people leaving the M2 rarely would be seen in terms of community interest of using that egress to access Parramatta. If there was to be any consideration of a realignment in terms of physical boundaries between us and Parramatta Council, then that part of Northmead presently in Parramatta Council should come to The Hills Shire Council. This would greatly enhance balancing growth and development, provision of public transport, community of interest and access to shopping centres etc. If James Ruse Drive is used as the boundary, then the only issue that seems to be warranting discussion is where Lake Parramatta remains, although being on the north side of the road it should be within The Hills Shire Council even if there is some financial or lease arrangement with Parramatta. The boundary would extend westward along O'Briens Road and then up Old Windsor Road until it rejoins the existing Hills Council boundary. In terms of travelling east the boundary would be along James Ruse Drive and then extend up Pennant Hills Road.

Oatlands

From the intersection of Carlingford Road and Pennant Hills Road, Council suggests that the boundary between Parramatta LGA and The Hills LGA requires further cleaning up. The only natural boundary in this area is the Cumberland Highway, running from Pennant Hills Road to James Ruse Drive at Windsor Road, Northmead. This means that Oatlands would be part of Parramatta. Whilst we are loathe to give up any of our suburbs to another LGA, it is clear that the suburbs of Oatlands, located within 5 kilometres of the Parramatta CBD is more closely associated with Parramatta than Castle Hill. Oatlands is currently divided by Bettington Road, the suburbs main thoroughfare from Pennant Hills Road at Carlingford to Kissing Point Road at Dundas. There is a strong argument to clean up this older historical boundary with a more natural boundary of a major highway, rather than the current arrangement which divides the Burnside estate development between The Hills and Parramatta LGA's.

Oatlands Public School is the Oatlands voting booth for the Parramatta Federal and State electorates. Oatlands Shopping Centre is linked to North Parramatta and Parramatta by Route 546 and 552 services. Local Parramatta newspapers – The Sun and The Advertiser are delivered to all of Oatlands up to Pennant Hills Road whilst The Hills local papers, the Times and the News are only delivered as far south as Carlingford. Community newspapers are considered an indicator of communities of interest.

The suburbs of Baulkham Hills, Northmead and Winston Hills to be included in the Hills LGA

Currently Northmead is split by Windsor Road. Council is of the opinion that a more logical boundary would be the Cumberland Highway/O'Briens Road which links into Old Windsor Road continuing up to Windsor Road at the M2/Abbott Rd intersection with Blacktown LGA.

Northmead as a suburb is clearly identified with The Hills through local schools – for example, Northmead Public School and Northmead High School's participation in The Hills zone PSSA with schools in Baulkham Hills, Castle Hill, North Rocks and Carlingford. Northmead residents mainly shop at Stockland Mall, Baulkham Hills and Winston Hills Mall within The Hills LGA and are linked to Castle Hill by a range of Hillsbus services including Route 604 via Winston Hills.

With Cumberland Highway/Abbott Road used as the new boundary between the Parramatta and The Hills LGA, this copies the current boundary for the Baulkham Hills and Parramatta state electorates, with much of Northmead north of O'Briens Road sitting within the federal division of Mitchell which is centred upon Castle Hill.

The boundary of the M2 and Windsor Road divides part of the suburb of Baulkham Hills from the rest of the suburb. The residents within the section of the suburb of Baulkham Hills that is part of Parramatta Council strongly identify with The Hills LGA and it would make sense to consolidate this part of the Parramatta LGA into The Hills LGA. These residents shop at centres within The Hills LGA such as Stocklands Mall and Castle Towers. They also attend schools in The Hills LGA such as Northmead High School and Matthew Pearce Public School.

These new boundaries would also wholly include Winston Hills within The Hills LGA and allows the opportunity to clean up the anomaly of the current boundary that uses the M2 and splits streets adjacent to Winston Hills Mall. Winston Hills residents more closely identify with The Hills Shire than Parramatta. These residents shop in the Hills at Winston Mall, Stockland Mall and Castle Towers. Many high school students attend Model Farms High School on the Baulkham Hills side of the M2 while many primary school students from Baulkham Hills attend Winston Hills Public School, on the south side of the M2. The residents of Winston Hills utilise the M2 bus service to the city. They have a dedicated bus service, Route 614x that travels from the Crestwood area of Baulkham Hills through Winston Hills onto Windsor Road and onto the M2 at Baulkham Hills. This service runs during peak hour. Others walk to the stop closest to the M2 or make use of the Torrs Avenue Commuter car park on the north side of the motorway at Baulkham Hills. City CBD workers use the M2 services or drive to the city on this motorway, rather than heading into Parramatta as a connection point, similarly with the residents in Baulkham Hills South of the M2 and the residents of Northmead. The suburbs the M2 acts as one concise community across north and south of the motorway, as opposed to Beecroft at the eastern end of the proposed boundary which acts as a natural boundary north and south of the Motorway.

As previously mentioned, the current boundary between Baulkham Hills and Winston Hills is disruptive and could be fixed. Currently, Winston Hills Mall is in The Hills LGA while The Winston Hotel located next to the Mall is located in Parramatta LGA. The boundary between the Hills and Parramatta cuts through the carpark which makes little sense.

Although the M2 has acted as the southern boundary for West Ward, it certainly has not acted as the boundary for East Ward with the boundary being James Ruse Drive and Pennant Hills Road. It seems reasonable that O'Briens Road, that links Old Windsor Road and James Ruse Drive, is the most appropriate boundary.

This boundary also aligns with the State seat of Baulkham Hills and the Federal seat of Mitchell at Old Windsor Road.

Boundary of the Hills Shire, Hawkesbury and Hornsby

Extending the current Hills Shire Council boundary from the point of Windsor Road and Boundary Road, to continue along Windsor Road to South Creek and then following this creek to the Hawkesbury River would provide a logical physical boundary that contains communities of interest and utilises the Hawkesbury River as a natural boundary.

The boundary of The Hills Shire Council continues through Oakville, McGraths Hill and to the township of Windsor only to where it meets the Hawkesbury River. The boundary then would follow the river in a north easterly direction to include parts of Wilberforce, Pitt town and the remainder of Cattai (all from Hawkesbury Council), and then continue as is through South Maroota, Sackville North, Lower Portland, Leetsvale and then to Wisemans Ferry. Whilst this will have some impact on Hawkesbury Council, it does not remove from Hawkesbury a large population.

The Hawkesbury river is then the LGA boundary until Berowra creek to Berowra Waters and then through the Berowra Valley Reserve to New Line road. The boundary then should follow New Line Road to Castle Hill Road, then to Pennant Hills Rd, thereby including all the suburbs of Vineyard, McGraths Hill, Oakville, Maraylya, Cattai, Pitt Town, Wisemans Ferry, Glenorie, Fiddletown, Arcadia, Berrilee, Berowra Waters, Galston, Dural. No longer would these towns and villages be the subject to a disruptive boundary between two LGA's

Extending the current Hills Shire Council boundary from the point of Windsor Road and Boundary Road, to continue along Windsor Road to South Creek and then following this creek to the Hawkesbury River, following the Hawkesbury River to Berowra Waters and then through the Berowra Valley Reserve to New Line, following New Line Road to Castle Hill Road, then to Pennant Hills Rd, thereby including all the suburbs of Vineyard, McGraths Hill, Oakville, Maraylya, Cattai, Pitt Town, Wisemans Ferry, Glenorie, Fiddletown, Arcadia, Berrilee, Berowra Waters, Galston, Dural

Financial imperatives

One the greatest financial impediments to any local council, is the continual upgrading and maintenance of rural roads. Given The Hills Shire Council is in a much stronger financial position than both its adjoining neighbouring shires of Hawkesbury and Hornsby, a realignment of boundaries that focus on including vast kilometres of rural road networks into the one shire council which is in the strongest financial position makes good economic sense. The proposed realignment of boundaries above whereby The Hills Shire Council would gain the suburbs of Oakville, Maraylya, Cattai, Pitt Town, McGrath's Hill, Wiseman's Ferry, Arcadia, Fiddletown, Berrilee, Berowra Waters, Galston and Dural would eliminate the burden of continual rural road maintenance of hundreds of kilometres of rural roads currently contained within both the Hawkesbury and Hornsby Shire Council areas. The proposed new local government area will contain sufficient urban land mass to help finance the rural networks.

By including these rural suburbs into the one Hills Shire Council boundary, which has the financial capability to deliver the upgrading of outstanding and future road maintenance issues, would ensure these problems are overcome in the future and thereby significantly alleviate the financial burden to both adjoining council areas by diminishing their rural road network and infrastructure maintenance obligations.

The continuation of the boundary along Windsor Rd from the intersection of Windsor Rd and Boundary Rd at Vineyard, would also enable future growth corridors to be wholly contained within the one growth council area of The Hills. The rural suburbs of Oakville and Vineyard adjoin the new growth area of Box Hill and Box Hill Light Industrial precinct and the areas of south Dural which adjoin the Glenhaven areas of the Hills Shire are recognised as future strategic growth areas for housing. The new treatment works to service the Box Hill area is contained within the suburb of Vineyard, therefore including Vineyard, Oakville and Dural suburbs into The Hills Shire Council area, which has undertaken the large amount of new housing growth for the North West sector over the past 16 years is a sound strategic planning initiative. The Hills Shire Council currently has the ability to adequately plan for these future strategic growth areas through the high quality of planning personnel currently employed, unlike its Hawkesbury counterpart. Negating the need to outsource planning expertise saves costs and time, providing improved planning efficiencies for future growth areas.

With the delivery of the Rouse Hill Town Centre as a regional Hub for the growing north-west areas providing public transport, education, recreational and shopping facilities for the growth of this area, many of the rural suburbs proposed above to be included in the new Hills Shire boundary alignment already have strong community links with the Rouse

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Hill Town Centre. This centre is wholly contained within the Hills Shire council area. The rural suburbs of McGraths Hill, Oakville, Maraylya, Pitt Town and Cattai, all have links to the Rouse Hill Town Centre, which is a short fifteen minute vehicle trip to the centre from these adjoining suburbs and are also linked by public transport to the centre. The majority of primary school children from the McGraths Hills estate currently attend Oakville Public School and while all these rural suburbs have their own primary schools, the majority of secondary school children currently commute to the High Schools of Rouse Hill, Kellyville and Galston and also private secondary schools such as Northholm Grammar, Marion College, Hills Grammar School, Rouse Hill Anglican College and William Clarke College. The majority of these secondary schools are contained within the Hills Shire Council area and connected through public bus transport. The Hills Shire also has some of the largest sporting clubs in metropolitan Sydney covering all sporting codes from soccer, cricket, AFL, football, rugby and netball, with new facilities catering to all codes located within the suburb of Rouse Hill at Centenary Park, Bruce Purser Reserve and Second Ponds Reserve. Rouse Hill also contains one of the largest Netball associations and facilities in Australia. These sporting facilities draw many thousands of young players every week from a radius of up to 15 kilometres and include the various suburbs mentioned for inclusion in the proposed Hills Shire boundary alignment.

The suburb of Wisemans Ferry is currently divided between the Hornsby and Hills Shire Council boundaries. Bringing this suburb into the one council area with the financial capability to service this outlying rural area makes good social and economic sense. The Wisemans Ferry Public School is contained within the Hills Shire Council area. The suburb of Glenorie is also divided between the Hills and Hornsby Council boundary. Glenorie, Arcadia, Berowra Waters and Galston have links firstly to their local centres of Glenorie and Galston Villages and then to larger regional centres of Round Corner and ultimately Castle Hill, which all have coordinated and regular existing public transport corridors strategically connecting these suburbs to areas within the Hills Shire. These suburbs are already linked to the regional, recreational and employment areas of the Hill Shire Council, including employment zones such as Victoria Road Castle Hill and Norwest and use existing services within these areas. Including these suburbs into the Hills Shire council further strengthens the existing community links that do not currently exist with the Hornsby Shire Council areas.

Dural is also currently divided between the Hills and Hornsby Council boundary. This suburb has existing links to the retail and commercial areas of Round Corner and importantly employment areas within Castle Hill and Norwest. Dural has developed links through regular public transport and road corridors to areas of the Hills Shire as opposed to the Hornsby Shire areas. Including the suburb of Dural into The Hills Shire council boundary improves existing community and employment links and also provides the ability through existing planning expertise to deliver the new strategic growth areas of South Dural which will complete important road infrastructure upgrades to the NSW state arterial roads such as New Line Rd and Old Northern Rd. The area of South Dural will also benefit from the delivery of the North West Rail line also predominantly contained within the Hills Shire Council boundary.

This area, if realigned, would form a natural progression in terms of the growth centre development beyond Box Hill but also The Hills Shire Council to continue its good work in regard appropriate and suitable development within the rural areas pending long term development. Council has introduced innovative measures, such as cluster development.

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CONCLUSION

The Independent Review Panel's Report – 20 Essential Steps - has been the subject of a separate report in this business paper in terms of a response.

As indicated in that report, despite Council's financial strength, asset management capability, community representation strengths and service delivery, Council cannot be exempt from future changes to the Local Government industry. This report will propose that a submission be forwarded to the Minister for Local Government, The Hon. Don Page MP, with a suggested boundary realignment of substance which will not only result in a greater degree of financial sustainability and service delivery but will greatly enhance representations in terms of communities of interest, growth, planning, infrastructure delivery and relations with particularly the Department of Planning in regard to many of the issues pertaining to growth, planning and infrastructure delivery, not able to be addressed previously.

The net impact, if the alignment was carried out, will see an increased population of approximately 59,000 when added to the current population would see a total of between 230,000 and 240,000 and with Council's projected growth of 70,000 over the next 20 or 30 years create a very strong sustainable viable local government unit and with the appropriate measures in terms of assets and staff adjustment would see this Council remain in the top three strongest Councils financially in the State.

It would also give the Council the capacity to deliver exceptional growth opportunities, while at the same time recognising similarities in topography, communities of interest and maintaining an appropriate interface between development and rural and semi-rural areas and put in place an opportunity for the development of a number of townships and villages presently prevented because of inappropriate boundary along Old Northern Road. While this would see the breakup of Hornsby Council, it is felt that based on population numbers alone and rate base, the balance of Hornsby Council if merged with Ku-ring-gai would form a sustainable unit, not only in terms of finance but in terms of urban planning, communities of interest and representation. Consideration could also be given to including Ryde with Ku Ring Gai and amend Hornsby L.G.A.

Should the NSW Government agree with Council's proposal, it would create a larger more strategically capable Council governing the Northwest region of Sydney. It will have sufficient size and capacity to place it in the category of "Metropolitan Major" as opposed to the current Hills Category of Metropolitan Centre.

IMPACTS**Financial**

This report has no direct financial impact upon Council's adopted budget or forward estimates. However should there be any change in terms of boundary realignment then substantive work would be required in terms of asset and resource reallocation.

Hills 2026

The adoption of a new governance framework for Local Government based on many of the principles outlined in the Independent Review Panel's recent report, will result in a much stronger and better Local Government Industry. Council's preferred position will ensure a consolidation of community of interest and a continuation of a sustainable and positive Council structure for the future.

RECOMMENDATION

1. The Hills Shire Council does not agree with the Panel's recommendation in relation to that part of Council south of the M2 going to Parramatta.
2. The Hills Shire Council sees merit in the Panel's recommendation to amalgamate the LGAs of Parramatta, Auburn and Holroyd.
3. Council's position in terms of boundary realignment is as outlined in this report, as described in Attachment 1 and mapped in Attachment 2 which would produce a Council that would be clarified as "Metropolitan Major" pursuant to S239 of the Local Government Act 1993.
4. A copy of this report be provided to the Independent Review Panel, the NSW Minister for Local Government and the Chief Executive, Division of Local Government with a request for the Mayor and Deputy Mayor to be given an opportunity to meet with each of them to progress Council's position.
5. This report be made publically available and also published on Council's website.

ATTACHMENTS

1. Proposed Boundary Realignment – description (1 page)
2. Map of The Hills Shire Council with proposed boundary realignments (1 page)
3. The Hills Shire Council and Hornsby Shire Council – preliminary analysis of a Hills/Hornsby Council merger has been distributed as a **Confidential document under separate cover. (Not provided - Analysis undertaken in 2013 not relevant to this submission.**

THE HILLS SHIRE COUNCIL - PROPOSED BOUNDARY ADJUSTMENTS

The proposed Shire boundary extends from Thompsons Corner at West Pennant Hills southwards along Pennant Hills Rd to the M2 Motorway at Carlingford. There it travels east along the M2 to Beecroft Rd at Epping. It then turns southward along Beecroft Rd until Carlingford Rd where it turns east and runs the entire length to Pennant Hills Rd Carlingford incorporating Carlingford Court (*from Hornsby Council*). It turns left into Pennant Hills Rd where it then continues in a south-westerly direction encompassing North Rocks & part of North Parramatta north of James Ruse Drive (including Lake Parramatta) (*from Parramatta Council*) until the junction of James Ruse Drive.

It then turns right into James Ruse Drive (Cumberland Highway) and in a north-westerly direction encompassing Northmead. Continue along Brien's Rd into Old Windsor Rd, encompassing Old Toongabbie, Winston Hills (*from Parramatta Council*) and in a northerly direction Baulkham Hills, Bella Vista, and Kellyville until the junction of Windsor Rd at Beaumont Hills. It continues north along Windsor Rd encompassing Rouse Hill and Box Hill. The boundary continues through Oakville, McGraths Hill and to the township of Windsor (*all from Hawkesbury Council*) where it meets the Hawkesbury River.

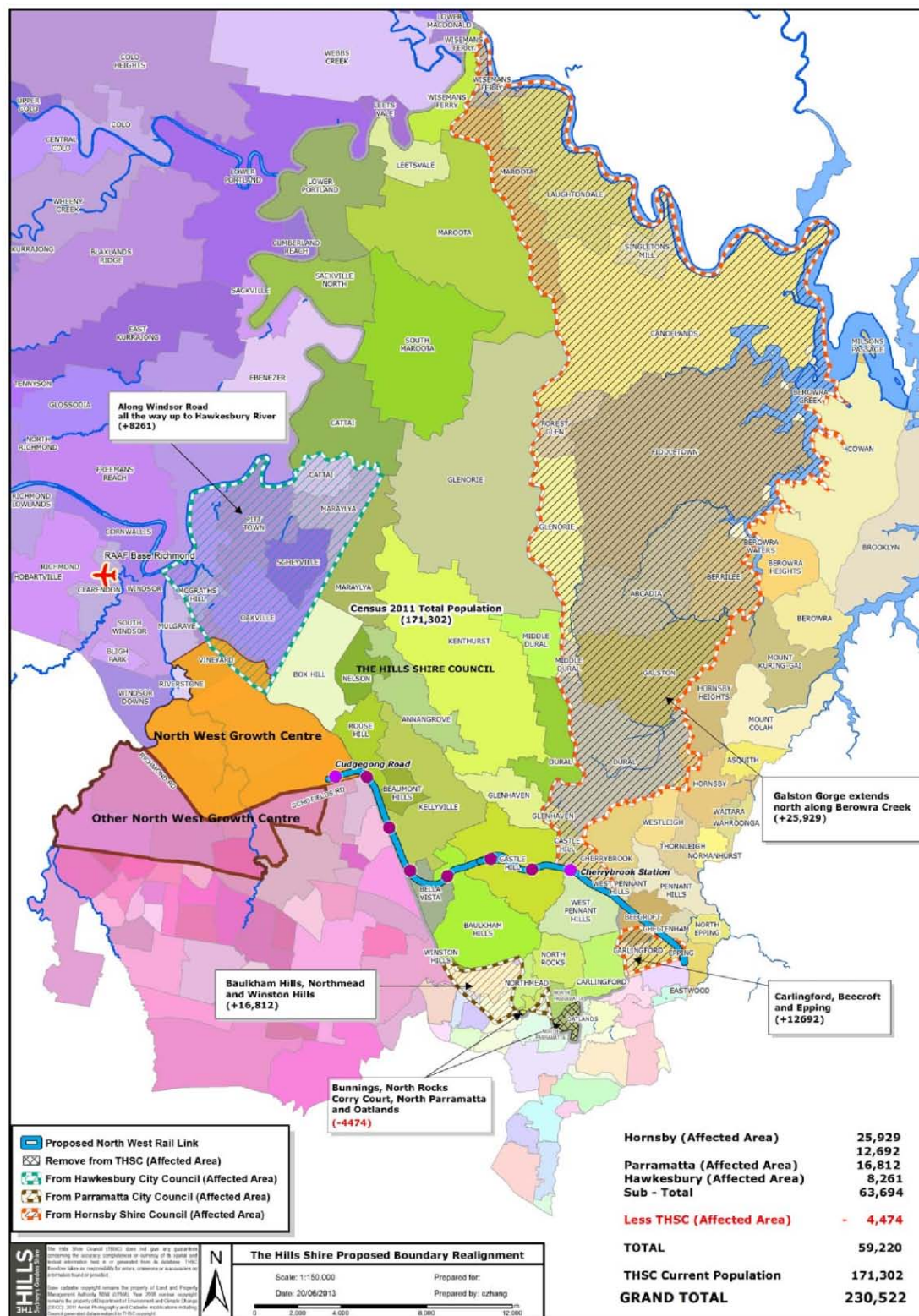
The boundary then follows the river in a north easterly direction and includes part of Wilberforce, Pitt Town & the remainder of Cattai (*all from Hawkesbury Council*), South Maroota, Sackville North, Lower Portland, Leetsvale and then to Wisemans Ferry.

Then we follow Hawkesbury River south from Wisemans Ferry, including the suburbs of Laughtondale, Singleton Mill, Canoelands, the township of Berowra Creek into Berowra Creek waterway, including Fiddletown then to the township of Berowra Waters on Berowra Waters waterway, back onto Berowra Creek waterway, including Berrilee & Galston to Galston Gorge (*all from Hornsby Council*)

It continues along Berowra Creek encompassing Dural until it meets the Berowra Valley Reserve, which skirts the northern side of Cherrybrook and the western side of the suburbs of Hornsby & Westleigh and then to Pyes Creek until it meets New Line Road. It turns left onto New Line Road and travels in a southerly direction until it meets Castle Hill Rd. It turns left and continues to Thompson Corner at West Pennant Hills.

Note that the proposed boundary adjustments incorporates the whole of Forest Glen, Glenorie, Arcadia, Middle Dural, Glenhaven and all of Castle Hill. (*all from Hornsby Council*).

Also Corry Court North Parramatta, Bunnings at North Rocks and the part of Oatlands within the current Hills Shire are now part of Parramatta Council under this proposal.



ITEM-5

FIT FOR THE FUTURE SUBMISSION

A MOTION WAS MOVED BY COUNCILLOR PRESTON AND SECONDED BY COUNCILLOR TAYLOR THAT the Recommendation contained in the report be adopted.

THE MOTION WAS PUT AND CARRIED UNANIMOUSLY

314 RESOLUTION

1. This report and the completed Template 2 – Improvement Proposal in Attachment 1 (along with supporting documentation namely Annual Report FY 13/14, Hills Shire Plan FY 15/16, Community Survey 2014 and the NSW T Corp Assessment) be adopted and forwarded to IPART for consideration.
2. Council advises IPART that it does not agree to losing its rate base below the M2 to Parramatta City Council, other than the Oatlands area if Council's preferred option is adopted.
3. This Council reaffirms its position in regard to the need for reform of Local Government in New South Wales and the consideration of fewer Councils in Sydney.
4. A copy of this report with its recommendations be referred under cover of correspondence from the Mayor to the NSW Legislative Councils General Purpose Standing Committee No. 6, inquiry into Local Government NSW.