

ATTACHMENT B

Morrison Low, *Inner West Councils: Fit for the Future - Shared Modelling*, February 2015.

Also accessible from Council's website at

<http://www.leichhardt.nsw.gov.au/Community-Issues/Council-Amalgamation-Risk/Council-Amalgamation-Risk>

Inner West Councils

Fit for the Future - Shared Modelling

February 2015

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1. INTRODUCTION

1.1 Fit for the Future

Three years ago, local councils from throughout NSW gathered for a summit, Destination 2036, to plan how local government could meet the challenges of the future. As a result, councils agreed that change was needed and that they wanted to be strong and sustainable and to make a positive difference in their respective communities. However, there were various views as to how this could be achieved and in April 2012 the State Government appointed an independent expert panel to carry out a review of the sector. That Independent Local Government Review Panel consulted widely in developing its final recommendations which were presented to the Government in late 2013.

The panel concluded that for councils to become strong and sustainable, both the NSW Government and the local government sector would have to play a part. The State indicated its preparedness to change the way it works with councils and to support them through meaningful reform. Local councils must also be prepared to consider new ways of working and new structural arrangements. The Fit for the Future program brings these changes together to lay the foundations for a stronger system of local government and stronger local communities.

The Fit for the Future program requires councils to actively assess their scale and capacity in achieving long term sustainability, and for councils to submit proposals to the Government indicating how they will achieve these objectives.

The councils of Ashfield, Burwood, City of Canada Bay, Leichhardt and Marrickville have approached Morrison Low to undertake shared modelling across a broad range of factors (financial, social, environmental) in order for each council to understand the implications of local government reform in the inner west of Sydney's metropolitan area. Although not a participant in the exercise, data for Strathfield Council has been included where possible from publicly available sources.

The government has a position based on the independent review panel recommendation for a merger of the six inner west councils. As has become clear to each of the councils affected by this recommendation, there is little information about the benefits and dis-benefits of the proposed merger nor any ready information about whether and why a large scale merger is the best option.

1.2 Shared modelling

The modelling is prepared on the basis of the information publicly available and augmented by the councils. The exception to this is the data in relation to Strathfield which is comprised only of that information that is publicly available. The modelling is provided identically to all of the councils in the project.

Where the data is inconsistent or unclear it has not been included and will be recorded as either 'no data' or 'no result'.

1.2.1 Providing information to enable councils to individually make their decisions

The modelling is intended to allow the councils to individually and collectively understand what the benefits and dis-benefits of the merger of the inner west councils and a series of other options might be. It has involved analysing historic, current and forecast performance as well as drawing in information from other jurisdictions in which we have been involved in local government reform (for example, transitional costs).

The project is not intended to advise each council of the best option for them (although it may naturally fall out of the modelling) nor to form the framework of any submission for Fit for the Future. The project simply provides the information that will enable each council to determine its individual course of action, undertake informed consultation with its community, and ultimately form the basis of the council's submission.

1.3 Tight timeframes

The timeframes for this project have been challenging but we appreciate that the work has been required in haste to allow plenty of time for each council to work through issues with the community or potential merger partners and prepare submissions for 30 June 2015.

Notwithstanding that we fully understand the need for those tight timeframes, that understanding is tempered with a recognition that the data available for modelling has some limitations as a result. The standardisation of the data across the five councils has been conducted on a best efforts basis under those particular timing constraints.

The data provided within the model is drawn from a variety of sources (including the councils directly) however it is acknowledged that the timeframe limits our capacity to refine both the available data and the model itself to a fine level of detail. For consistency across the group of councils, publicly available information has formed the basis of the analysis. This has been refined and modified through discussions and workshops with the councils, except in the case of Strathfield where their non-participation means that only publically available information was used.

Notwithstanding these constraints, we have had great support from the staff of each council, providing almost immediate responses to our requests for information and active and knowledgeable participation in the workshops. We thank the executives and staff of the councils for their input and cooperation.

2. SCOPE

2.1 Multiple scenarios

The shared modelling project was undertaken on the basis of evaluating the following options.

1. Status Quo

The baseline is measured against what each council has reported the current and future financial position to be. The analysis is based on the published Financial Statements and Long Term Financial Plans of the councils. Two of the councils, Ashfield and Marrickville each have an intention to submit an application for a Special Rate Variation. Where relevant the Special Rate Variation scenario has also been recognised and highlighted.

2. Modified Status Quo

This scenario answers the question as to what each council would need to do to meet the Fit for the Future benchmarks. It does not address the question of scale and capacity and concentrates on the seven government benchmarks.

The scenario is built up by separately considering the operating result, asset renewal, asset maintenance, and the infrastructure backlog. It identifies what, if any, funding gap exists but it does not identify how the gap is to be resolved as that is a question for each individual council. In some cases this has required a standardised approach to be used to provide comparability. We acknowledge the work each council has done to understand its assets and community priorities and our analysis and assessment should be understood as applying to the context.

3. Inner West Council

The Independent Review Panel recommended a merger of Ashfield, Burwood, City of Canada Bay, Leichhardt, Marrickville and Strathfield Councils. The government has asked each council in NSW to respond to Fit for the Future by using the Panel recommendation as a starting point.

This scenario therefore models a merger of the six inner west councils and assesses the advantages and disadvantages of this against a series of criteria. The agreed criteria include financial and non-financial indicators and go beyond the government's Fit for the Future benchmarks to incorporate communities of interest and the alignment between the council organisations.

4. Other potential mergers

Other possible merger combinations were dealt with by providing the councils with a working model that allows each to individually assess the cost, benefits and implications of a merger of any combination of the inner west councils.

5. Shared Services

Under this scenario a theoretical design for shared services based on the concept originally developed by SSROC was developed. That concept was refined based on our experience and using other examples of successful shared services models operating elsewhere.

The scenarios assess the advantages and disadvantages of this approach including the financial costs and benefits.

2.2 Reporting

This report is intended to provide a collective body of information that each council will then use to determine what is in the best interests of the council and community. As such it does not seek to recommend any one option over another option for a particular council.

The report compares options and highlights advantages and disadvantages. The relative weighting that each council then applies will be a matter for each individual council.

A report has been prepared for each council using the same information. The differences arise in the form of presenting the information. For example, section 4.1 of the report sets out the assessment of the status quo against the Fit for the Future benchmarks. This section of each report presents the relevant council results in the body of the report. The results of all councils are set out in the appendix. We believe that this ensures that all councils receive the same information but tailored to that which is of most relevance to them.

2.3 Modelling

During the project we have built a model that enables the comparison of a range of both qualitative and quantitative variables across a set of standard indicators (which were agreed) including key data from each council about their assets, financial sustainability, community profile and services/service levels.

A working copy of the model has been provided to each of the councils and it has the functionality to enable each individual council to compare the full range of scenarios to the status quo, understand what drives the assessment and drill down into the comparison. This will be particularly valuable for assessing the multiple combinations identified in the quotation request based on what is important to each council.

This report and the associated modelling is intended to provide the capability to compare and assess the variety of options. The report is not intended to provide any recommendation or recommendations for any council or councils to select.

3. SUMMARY OF CONCLUSIONS

Fit for the Future requires councils to consider a small group of indicators that focus on assets and financial sustainability. It also requires councils to consider the merits of potential mergers through the same series of asset and financially focussed indicators. The councils of the inner west have, quite rightly in our view, looked at a wider series of indicators including the impact on representation and rates in order to understand what option provides the best outcome for their communities.

When considering such a wide range of information each council and community will, again quite rightly in our view, determine the relative weight that should be apportioned to each piece of information or indicator. This report does not reach an overall view as to whether an option or options provides the best outcome for any of the councils.

3.1 Status quo

The government has made it clear that the starting point for every council is scale and capacity. The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west councils. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

The table below provides a summary of the Council's performance against the benchmarks.

Table 1 Leichhardt Council (status quo) performance against Fit for the Future benchmarks

Indicator	Modelling Outcome
Operating Performance	Declines but remains above the benchmark
Own Source Revenue	Already exceeds benchmark
Debt Service Cover	Already exceeds benchmark
Asset Maintenance	Falls below benchmark during modelling period
Asset Renewal	Exceeds benchmark by 2017
Infrastructure Backlog	Benchmark achieved by 2020
Real Operating Expenditure	Meets the benchmark

3.2 Modified status quo

In order to meet the Fit for the Future benchmarks each of the councils requires an increase in revenue and/or a decrease in costs to address both an operating deficit (as judged against the Operating Performance Ratio criteria) and short and longer term infrastructure issues.

Some of the councils have begun this process through Special Rate Variations (Burwood – approved, Ashfield and Marrickville intended) while others have undertaken internal programs of efficiency review. The City of Canada Bay involved a Citizen Panel process to review levels of service to identify savings opportunities and revenue raising opportunities. In all cases the funding gap identified in this report is not considered to be so large that it cannot be addressed by the councils through a combination of increased revenue and reduced costs. The table below identifies the extent of the funding gap to address the infrastructure benchmarks of asset

maintenance ratio, renewal ratio and bringing the infrastructure backlog to the benchmark of 2% within five years. After that the funding gap diminishes for each council. It should be noted that the assessment of required maintenance by Morrison Low differs from that calculated by Leichhardt Council. Our approach is based on industry benchmarks whereas Leichhardt Council advice that their calculation is based on council held data and community satisfaction.

Table 2 Summary of infrastructure funding gap

Council ¹	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Ashfield	\$2,625	\$1,960
Burwood	\$3,511	-\$64
City of Canada Bay	\$3,129	\$1,252
Leichhardt	\$5,053	\$2,751
Marrickville	\$8,439	\$4,921
Strathfield	\$1,762	\$1,393

The table below identifies the average annual gap between operating revenue and operating expenditure (as per the Operating Performance ratio guidelines) over the time period within each council's LTFP. Each council will also need to address this in order to meet the benchmark.

Table 3 Operating performance funding gap

Council	Average gap
Ashfield	\$0
Burwood	\$.2M
City of Canada Bay	\$0
Leichhardt	\$0
Marrickville	\$0
Strathfield	\$2.8M

The process undertaken during this project identified a range of areas in which the councils can work together either through a shared services model as set out in this report or through some other collaborative working or procurement arrangement.

Even if the additional expenditure requirements set out above are achieved and a council meets all the Fit for the Future benchmarks, which logic would dictate means that scale and capacity has therefore been met, a council will still need to address the government's starting point of scale and capacity first. The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

¹ Infrastructure funding gap does not take into account any potential SRV applications

3.3 Inner west council

3.3.1 Scale and capacity

The Independent Panel recommendation was for a merger of the six councils of the inner west. Under the Fit for the Future reforms this means that the creation of an inner west council would satisfy the scale and capacity test.

There are multiple merger options in the inner west which will satisfy what appears to be the scale requirement of a population of 250,000 (based on the average size of councils not proposed for merger) by 2031 and would likely satisfy the criteria by which capacity is judged.

3.3.2 Fit for the Future benchmarks

The merged inner west council is the sum of its parts. This means that the debt service and own source revenue ratios are exceeded from day one and remain above the benchmarks throughout the period being modelled. This also means that while some efficiency benefits have been modelled in arising through the merger, the asset focus of the Fit for the Future benchmarks means that like the individual councils, the inner west council does not meet the asset related benchmarks. A funding gap in order to address the asset maintenance, asset renewal and infrastructure backlog ratios exists which is set out in the table below.

Table 4 Merged council asset funding gap

Council	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Inner West Council	\$24,519	\$12,213

The significant transitional costs identified throughout this report mean the operating performance ratio is negative from day one and improves to meet the benchmark over the period being modelled.

The table below summarised the merged council performance against the benchmarks.

Table 5 Merged council performance against Fit for the Future benchmarks

Indicator	At Day One	Over Modelling Period
Operating Performance	Does not meet benchmark	Improves to satisfies the benchmark by 2019
Own Source Revenue	Already exceeds benchmark	Continues to exceed benchmark
Debt Service Cover	Already exceeds benchmark	Continues to exceed benchmark
Asset Maintenance	Does not meet benchmark	Does not meet benchmark during modelling period
Asset Renewal	Meets benchmark at commencement	Declines until falling below benchmark by 2018
Infrastructure Backlog	Does not meet benchmark	Does not meet benchmark
Real Operating Expenditure	Not applicable	Meets the benchmark

3.3.3 Debt

The debt levels of the councils of the inner west are low. All councils are well below the debt service ratio and the same is true for the merged council. Typically, the consolidation of debt in a merger can be a community issue as a community with little or no debt may perceive as unfair having to repay debt that 'belongs' to other communities and other community's assets. While debt levels are low there are still differences and most notably between the councils who have little or no debt (Strathfield, City of Canada Bay and Ashfield who have resolved to retire their existing debt) and those who have more moderate debt levels such as Marrickville, Leichhardt and Burwood.

3.3.4 Rates

Modelling the changes in rates in a merger is very difficult to do with any degree of accuracy. Presently there are a number of significant differences in the rating systems of the councils which impact on the rates charged to an individual property. The key examples are that some have base rates and others a minimum rate as well as large variations in the proportion of rates borne by business and residential rate payers. For example in Canada Bay businesses bear 14% of the rates whereas in Marrickville that proportion rises to 40%. Currently Leichhardt has the highest average residential (\$1,199) and business rates (\$7,051). In comparison Marrickville has the lowest average residential rate (\$855) and City of Canada Bay the lowest average business rate (\$2,822).

A merged council would ultimately set a single rating system across the inner west and regardless of the approach there would be some properties where rates would rise and others where rates would reduce. A key driver for this would be land value and residents with comparatively high value properties would bear a higher proportion of the rates.

Changes to the average business and average residential rates are modelled using an entirely ad valorem and then a base rate scenario to represent a range of potential impacts that could be expected.

Under a merger of the inner west the average residential rate would increase in Leichhardt, City of Canada Bay and Strathfield under an entirely ad valorem system where land value is the sole determinant. Average residential rates would reduce in all other areas. The introduction of a base rate changes the council areas affected and the average residential rate would rise in City of Canada Bay, Marrickville and Strathfield. Under both scenarios the average business rate would reduce in both Leichhardt and Marrickville while increasing in all other council areas.

3.3.5 Environmental

The comparison of the Community Strategic Plans highlighted the environment as a common theme across all the councils. While the review of the LEPs of the councils identified some different approaches and differing levels of relative importance for the natural and built environment, this is within the context of communities that all appear to place a high value on the environment and the sustainable use of the natural environment.

As a result the environmental indicators selected do not in our view demonstrate any significant differences between the merged council and the individual councils.

3.3.6 Representation

Perhaps the single biggest negative impact from the merger of the inner west is on representation. The number of people represented by each councillor will increase significantly making it more difficult for residents to access their councillors and the council. Based on the current maximum of 15 councillors each of those would represent over 22,000 residents which does not compare favourably to a little under 4,700 in Leichhardt currently.

While measures can be put in place to address a loss of representation through local or community boards at present the government has not set out in detail any proposal that the community could consider.

3.3.7 Community profile and communities of interest

The inner west is characterised by both similarities and differences. The communities of the inner west have a higher levels of education, are more multicultural than greater Sydney and combined together have a relatively high level of employment containment. There is also a common dependence and connection to the City of Sydney.

However there are also a number of differences. Strathfield's population density is significantly lower than the other areas and much closer to the areas to its west such as Parramatta, Auburn and Holroyd. Burwood has a higher level of socioeconomic disadvantage and the factors that make this up include lower household income whereas City of Canada Bay and Leichhardt are in the highest wealth cluster of council areas in NSW².

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

3.3.8 Costs and benefits of the merger

The costs and benefits of the merger arise throughout the period being modelled. The costs and benefits should not be considered in isolation. They only form part of the information on which a decision should be made and in particular they should be considered in conjunction with the infrastructure funding gap identified above.

Initially in the transition from six councils into one there are costs associated with creating the single entity (structure, process, policies, systems and branding), costs continue to arise through redundancies of senior staff and the implementation of a single IT system across the new council which has significant cost implications. Costs of the merger continue to arise in the medium and longer term largely from redundancy costs (one off) but increasingly from an overall increase in staff numbers which is typical of merged councils and considered to arise as a result of increased services and service levels.

Benefits initially arise in the short term through the reduction in the number of senior staff and Councillors required in comparison to the six councils combined. Natural attrition is initially applied meaning that overall staff numbers fall in the short term. Savings are also projected to arise in relation to procurement and operational expenditure due to the size and increased capacity of the larger council. In the medium and longer term benefits arise through reducing

² National Institute of Economic and Industry Research, New South Wales Local Government Areas: Similarities and Differences, March 2013

the overall staff numbers with a focus on removing the duplication of roles and creating greater efficiency in operations, outsourcing waste collection to a single regional contract and the rationalisation of buildings and plant (one off).

The NPV of the costs and benefits over the period being modelled (2023³) has been calculated and set out below.

Table 6 Summary of costs and benefits

NPV at 4%	NPV at 7%	NPV at 10%
\$173 million	\$143 million	\$119 million

3.3.9 Risks arising from merger

There are significant potential risks arising from the merger both in a financial and non-financial sense. The obvious financial risks are that the transitional costs may be more significant than set out in the business case or that the efficiencies projected in the business case are not delivered. If, for example, the council chooses not to follow through with the projected efficiencies, this will affect the financial viability of the merged council. Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

Careful consideration of the issue of cultural integration will be required and the most consistent remedy to these particular risks is in our view strong and consistent leadership. Corporate culture misalignment during the post-merger integration phase often means the employees will dig in, form cliques and protect the old culture. In addition to decreased morale and an increased staff turnover rate, culture misalignment reduces business performance. It also prolongs the time it takes for the predicted efficiencies to be achieved.

The integration of services with differing service levels often leads to standardising those service levels at the highest level of those services that are being integrated. This is quite often a response to a natural desire to deliver the best possible services to communities as well as the need to balance service levels to community expectations across the whole area. However it does pose the risk of increased delivery costs and/or lost savings opportunities. Similarly, introducing services that are not currently delivered in one or more of the former council areas to the whole of the new council area will incur additional costs.

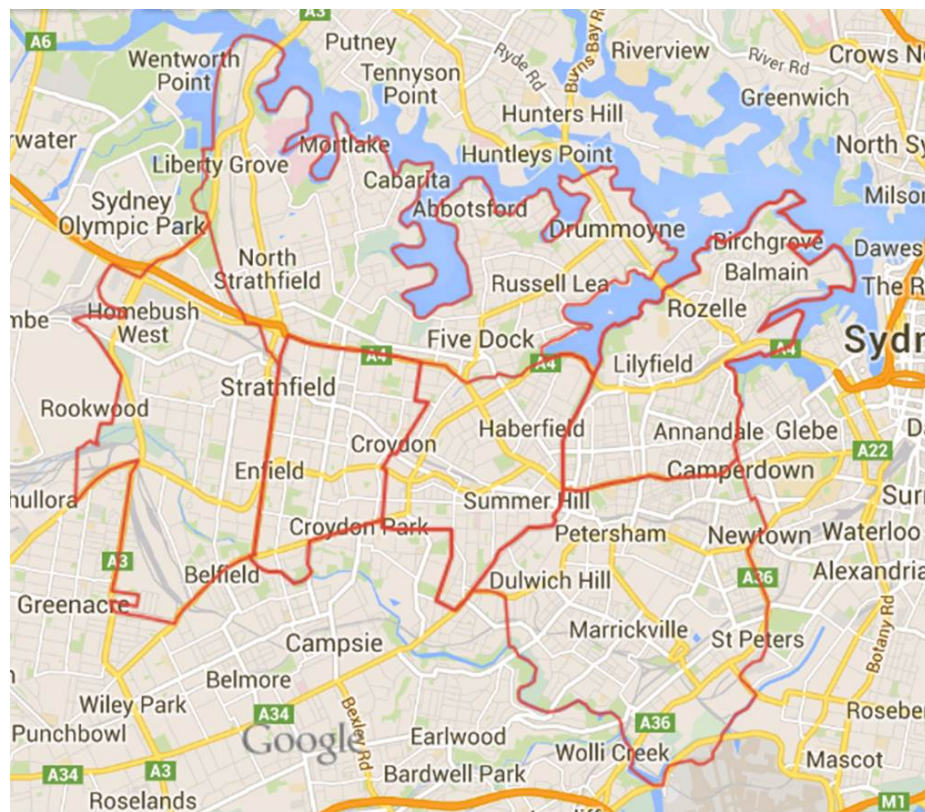
³ 2023 is the period being modelled to match the time covered by all Council LTFPs

4. DETAILED ANALYSIS

4.1 Status quo

Ashfield, Burwood, City of Canada Bay, Leichhardt, Marrickville and Strathfield ('the inner west') cover a substantial geographic area in metropolitan Sydney with the Harbour to the north, the City of Sydney to the east, St George and Canterbury/Bankstown to the south and Auburn to the west. A map of the area is set out below in Figure 1 and shows each council area bounded by red lines.

Figure 1 Map of inner west councils



As a starting point the council's current performance against the Fit for the Future benchmarks⁴ has been considered as it is important to understand the respective position of each council as it is today. Figures in red are those where the council does not meet the benchmark. We note that previously councils have not been required to report on the real operating expenditure ratio so these results were not published in the 2014 Financial Statements.

An explanation of each indicator and the basis of the calculation are set out in **Appendix A**. Each has been calculated in accordance with the requirements set down by the Office of Local Government. The ratios are a reduced set of benchmarks drawn from those used by TCorp in its 2013 analysis of the Financial Sustainability.

⁴ Reported in the 2013/14 Financial Statements for the respective councils

The Debt Service and Own Source Revenue ratios are both exceeded by all of the councils and do not present an issue for any council. In contrast the infrastructure backlog ratio is exceeded by all councils and most significantly by Burwood⁵. Results against the other benchmarks vary but no council met more than four of the six benchmarks in 2014.

Table 7 Fit for the Future benchmarks 2014

Council	Operating Performance	Own Source Revenue (%)	Debt Service (%)	Asset Maintenance (%)	Infrastructure Backlog (%)	Asset Renewal (%)
Ashfield	-1.1	99.99	4.09	83	8	64.38
Burwood	-5.32	74.62	10.75	57	56	181.29
City of Canada Bay	-1.0	75.54	17.1	99	3	126.75
Leichhardt	5.82	85.28	12.46	106	7	84.43
Marrickville	-2.53	88.87	1.66	58	1	52.5

4.1.1 Fit for the Future indicators⁶

Of the Fit for the Future benchmarks Leichhardt meets four at the present time, achieves one more over the modelling period but falls below another based on maintaining the status quo.

TCorp has rated the Leichhardt Council with a Sound rating for financial sustainability with a Neutral outlook. The Office of Local Government considers its infrastructure management to be Very Strong.

Improving Own Source Revenue is a positive indicator and while Debt Servicing rises slightly to 2018 it then returns to current levels. The Operating Performance ratio however declines consistently during the period modelled.

A sustained growth in Asset Renewals expenditure consistently sees the ratio exceed 100% for the majority of the period modelled. Accordingly, the Infrastructure Backlog improves for the balance of the modelling period, achieving the benchmark by 2020.

⁵ It should be noted that Burwood has re-assessed the calculation of their infrastructure backlog and are expected to report a much lower figure in 2015.

⁶ The forecast of the infrastructure backlog is based on the methodology outlined in section 4.2.4

Table 8 **Leichhardt Council (status quo) performance against Fit for the Future benchmarks**

Indicator	Modelling Outcome
Operating Performance	Declines but remains above the benchmark
Own Source Revenue	Already exceeds benchmark
Debt Service Cover	Already exceeds benchmark
Asset Maintenance	Falls below benchmark during modelling period
Asset Renewal	Exceeds benchmark by 2017
Infrastructure Backlog	Benchmark achieved by 2020
Real Operating Expenditure	Meets the benchmark

Figure 2 **Operating Performance Ratio**

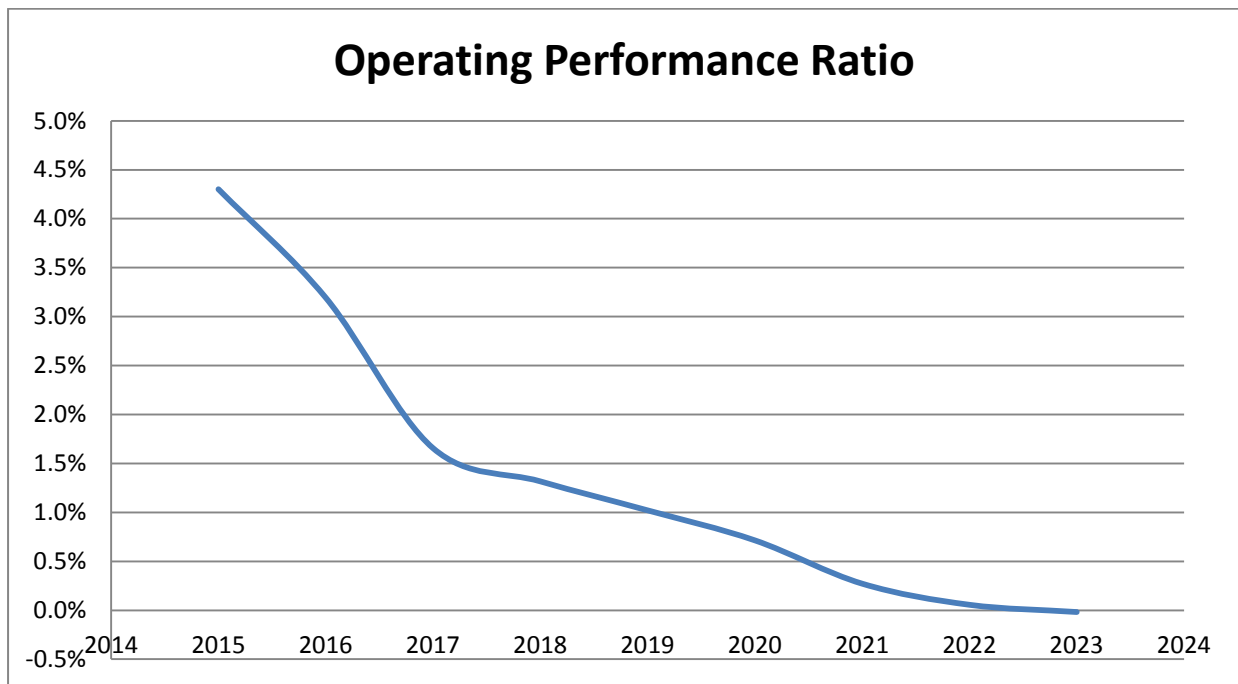


Figure 3 Own Source Revenue

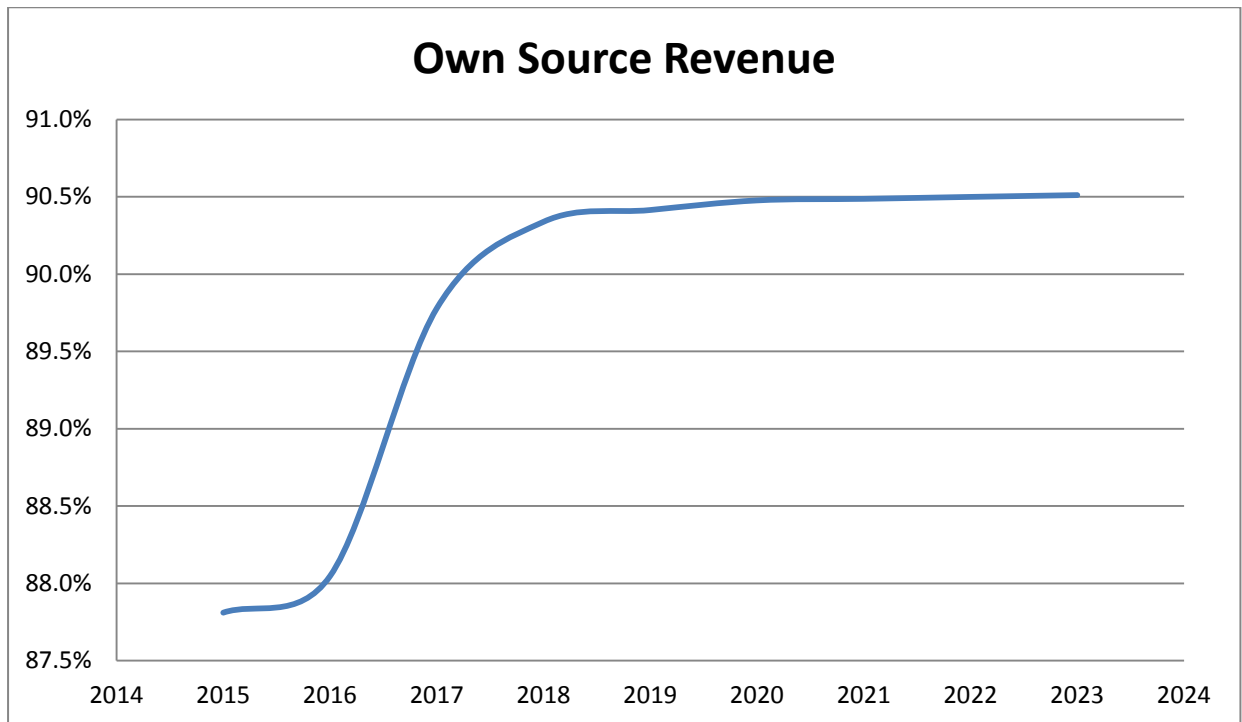


Figure 4 Debt Service Ratio

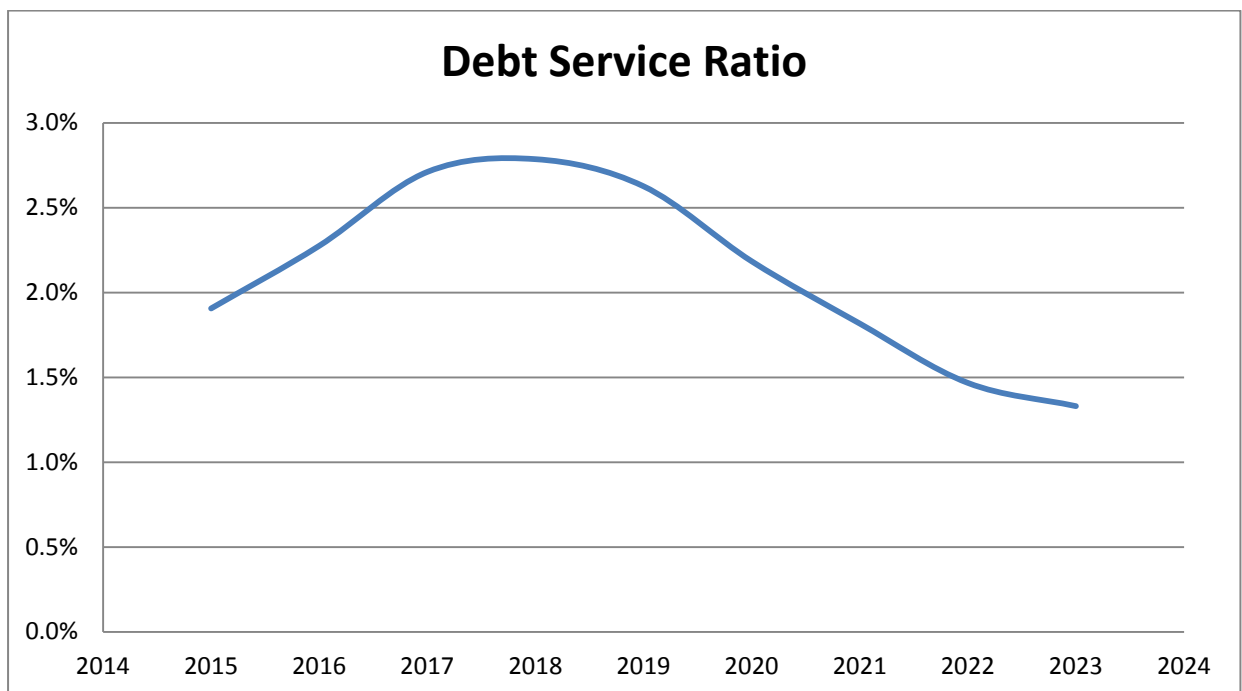


Figure 5 Asset Renewal Ratio

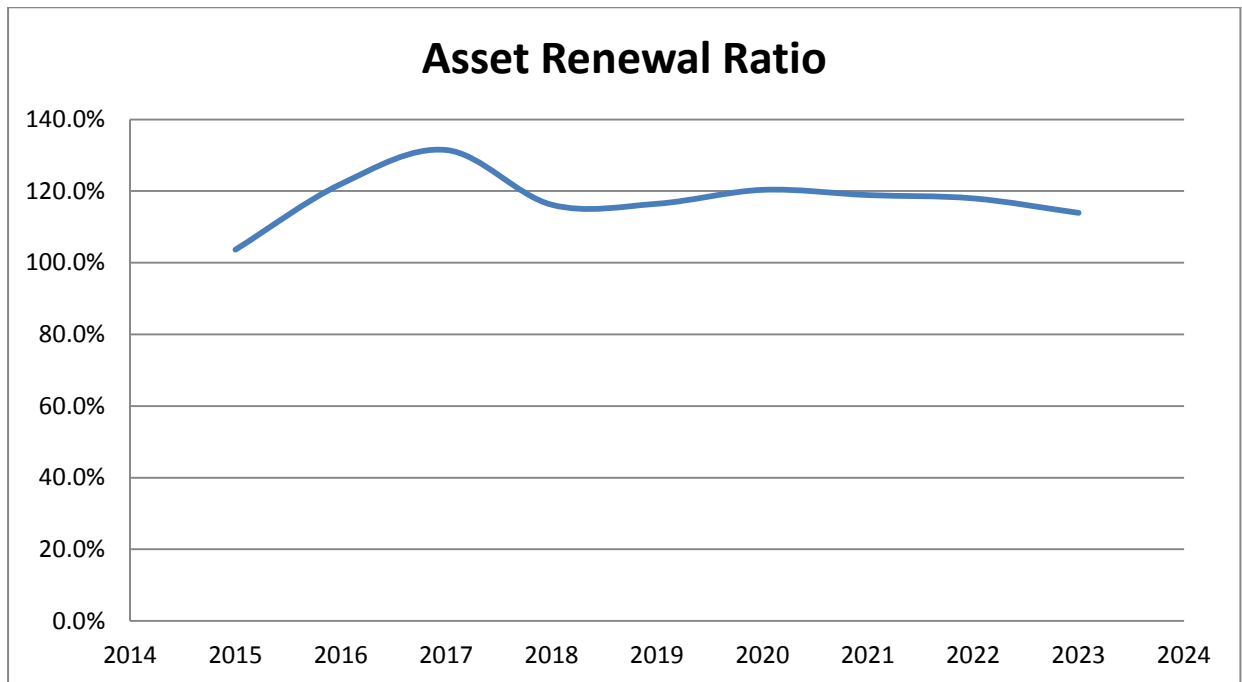


Figure 6 Infrastructure Backlog Ratio

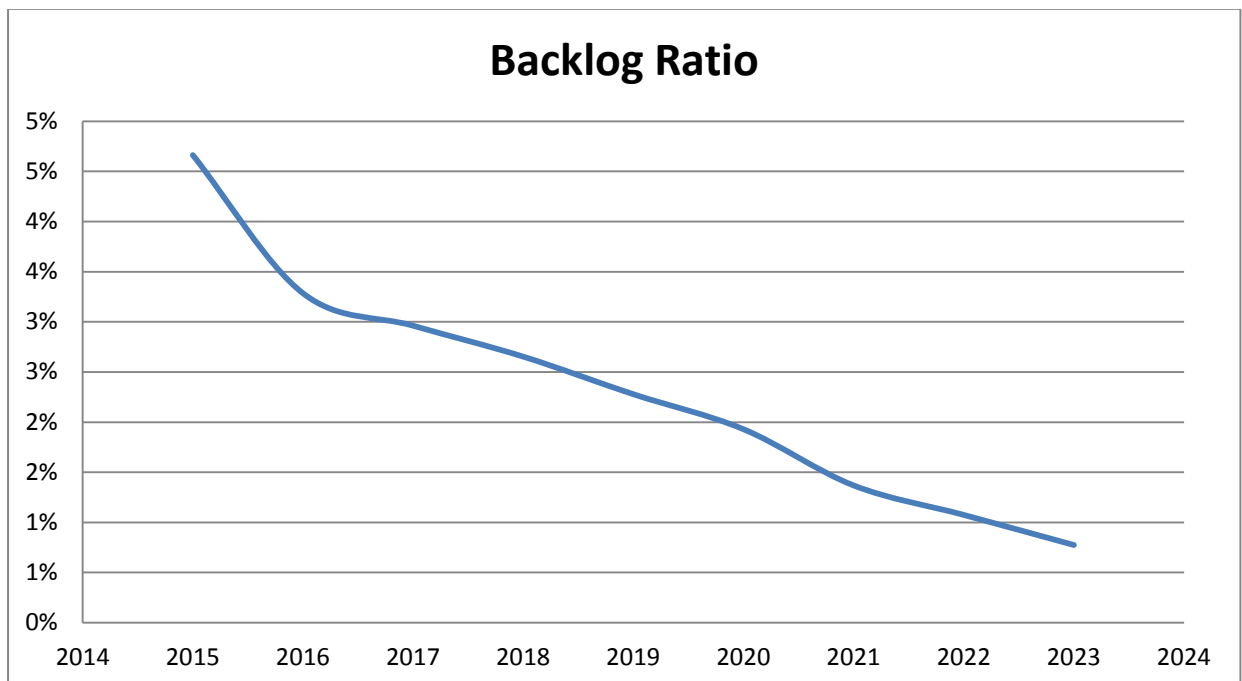


Figure 7 Asset Maintenance Ratio

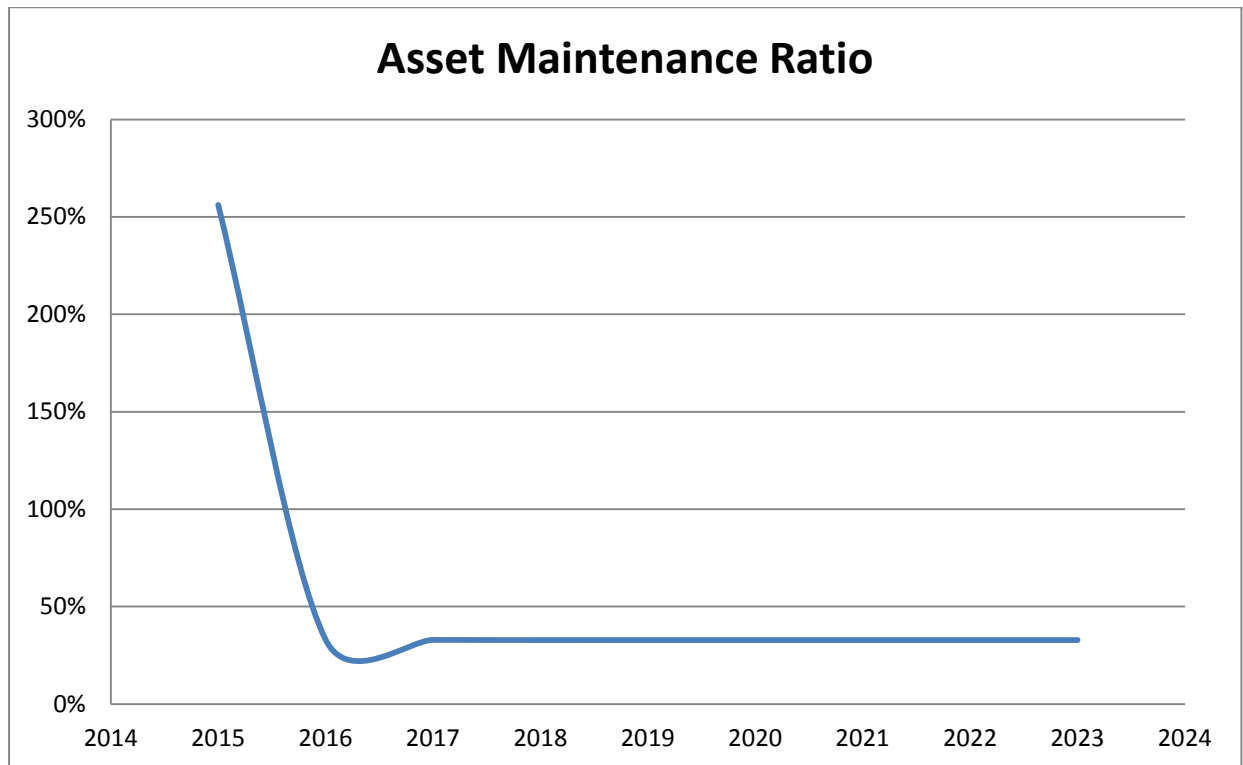
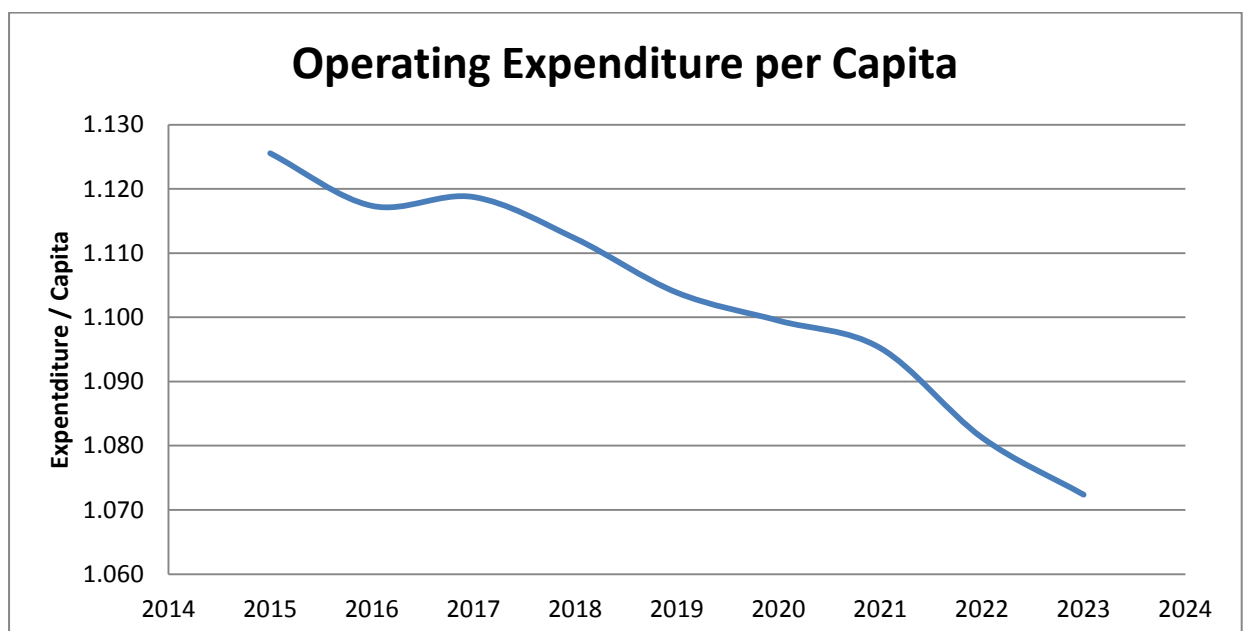


Figure 8 Real Operating Expenditure per Capita



4.2 Each council optimum

An analysis of what would need to be done in order for each council to satisfy the Fit for the Future benchmarks has been undertaken. The asset based ratios (asset maintenance, asset renewal and infrastructure backlog) have been considered as has the Operating Performance ratio. Each aspect has been separated out in the following sections before being combined into an overall figure which identifies what, if any, funding gap exists that if satisfied would enable the council to meet the Fit for the Future benchmarks. Where such a gap has been identified and should a council choose to pursue a standalone response to Fit for the Future, then the council will then need to determine how they best address that gap. We would expect that this would be either through additional revenue, a reduction in operating expenses or a combination of both.

4.2.1 Operating performance

The operating result of each council (calculated on the same basis as the Operating Performance Ratio and so excluding capital grants and contributions) has been reviewed and the gap, if any, between the operating revenue and operating expenses identified below. For simplicity, this is presented as an average of the years projected in each council's LTFP.

Table 9 Operating performance funding gap

Council	Gap
Ashfield	\$0
Burwood	\$200,000 per year
City of Canada Bay	\$0
Leichhardt	\$0
Marrickville	\$0
Strathfield	\$2.8M

4.2.2 Asset maintenance

The maintenance ratio is based in part on the number each council reports as 'required maintenance'. However there are no guidelines on how required maintenance is to be calculated and when the required maintenance figures from across the councils were considered some significant variations were identified.

A standardised approach was adopted for the purposes of this project in order to provide a relative comparison of the inner west councils and for use when estimating the required annual maintenance for the inner west council.

The approach uses a percentage of the current replacement cost as the basis for required maintenance. The rates for the different asset classes are based on our knowledge and expertise as well as consideration of ratios of a large number of Sydney based councils as benchmark comparisons. In the roads asset class it was clear that there was considerable

variation in how the assets were valued. Working in conjunction with the councils, the required maintenance for roads was calculated on a per kilometre basis instead. This is considered to provide a realistic comparison across the councils.

The table below sets out the gap between the required annual maintenance and projected maintenance. Negative figures are highlighted in red and show the annual additional amount a council, based on our standardised approach, would need to spend on maintenance to satisfy the asset maintenance ratio.

Table 10 Asset maintenance funding gap

Council	Actual Annual Maintenance	Estimated Required Maintenance	Gap
Ashfield	\$ 2,743	\$ 3,405	-\$ 662
Burwood	\$ 2,497	\$ 3,656	-\$ 1,159
City of Canada Bay	\$ 5,957	\$ 7,876	-\$ 1,919
Leichhardt	\$ 2,296	\$ 6,930	-\$ 4,634
Marrickville	\$ 8,242	\$ 9,580	-\$ 1,338
Strathfield	\$ 1,752	\$ 2,455	-\$ 703

4.2.3 Asset renewal

The asset renewal ratio is based on each council's assessment of annual depreciation on buildings and infrastructure and their actual expenditure on building and infrastructure renewals. If asset depreciation is calculated appropriately then this represents the loss of value of an asset on an annual basis and a renewal ratio of 100% reflects (at an overall level) restoring that lost value.

While the calculation of depreciation varies quite significantly across the inner west councils it is not possible to simply standardise depreciation in the same way that the required maintenance number can be. The assessment of depreciation is integral to the financial management of each council and their LTFP. Any change requires a proper assessment of the assets, condition, lives and values. The assessment of required asset renewals is therefore based on each council's own assessment of depreciation and required renewals.

The table below sets out the gap between the required annual renewals and projected renewals expenditure. Negative figures are highlighted in red and show the annual additional amount a council (based on our standardised approach) would need to spend on renewals to satisfy the asset renewals ratio. Positive figures show the amount by which a council will exceed the required renewal expenditure leading to a ratio of greater than 100%.

We note that the two councils engaged in the shared modelling project with funding deficits in renewals expenditure are both seeking special rate variations which will help address the funding gap.

Table 11 Asset renewal gap

Council	Average predicted annual renewals	Average required annual renewals	Gap
Ashfield	\$ 3,035	\$ 4,332	-\$ 1,298
Burwood	\$ 5,816	\$ 4,593	\$ 1,223
City of Canada Bay	\$ 12,963	\$ 12,296	\$ 667
Leichhardt	\$ 12,209	\$ 10,326	\$ 1,883
Marrickville	\$ 3,988	\$ 7,570	-\$ 3,583
Strathfield	\$ 3,371	\$ 4,060	-\$ 690

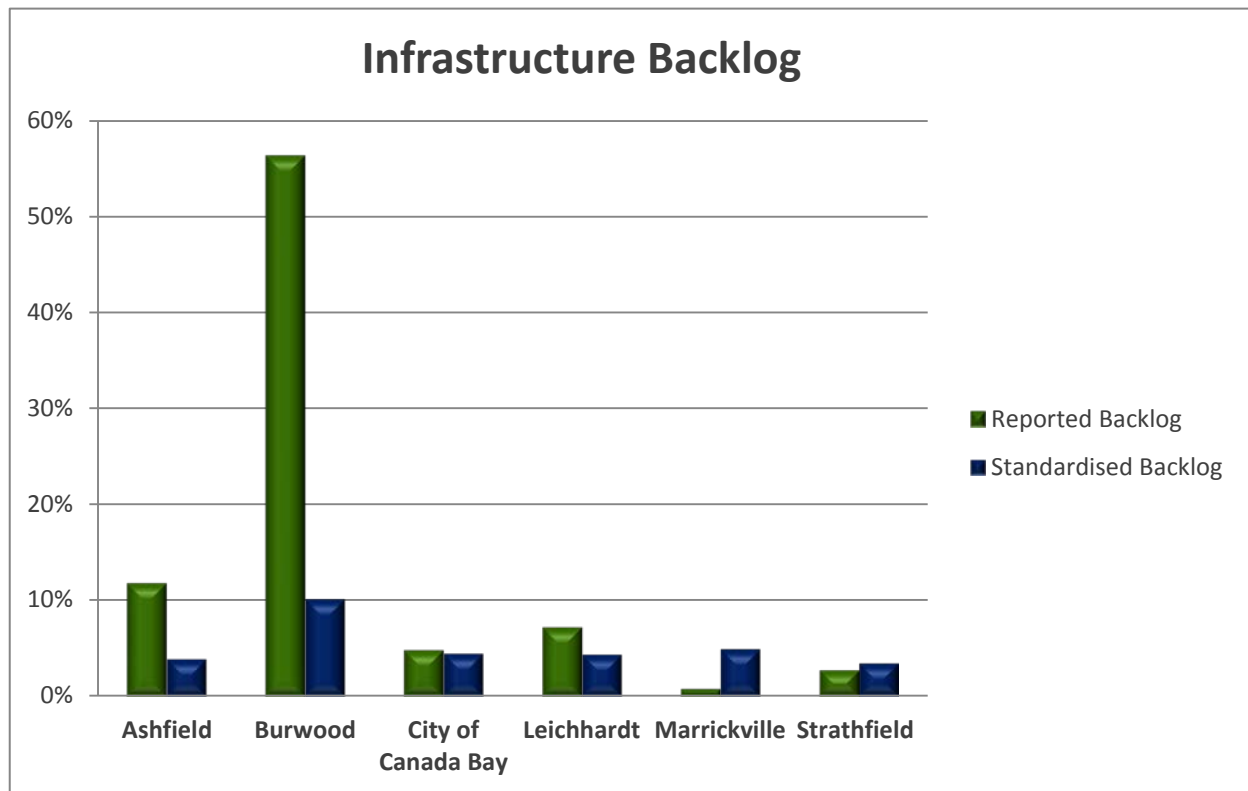
4.2.4 Calculating the estimated cost to satisfactory

The estimated cost to satisfactory is the key driver of the infrastructure backlog ratio. However, there are no clear guidelines as to how the cost to satisfactory has to be calculated and as such the approach varies significantly across NSW. Even within the inner west it is clear that the councils have different methodologies for determining the cost to satisfactory.

Given the variation in methodologies it was considered appropriate that for comparative purposes and for the assessment of the infrastructure backlog of a merged council a standardised approach should be adopted.

All councils have adopted a similar condition rating system based on a 1 – 5 condition rating where condition 1 is considered to be excellent and condition 5 being poor or very poor condition. The standardised approach adopts condition 3 as satisfactory. We do acknowledge that some councils have considered adopting a lower standard as satisfactory and have engaged with their communities on this. Our approach looks at the value of asset (Current Replacement Cost) in condition 4 and 5, and what could be done to ensure these assets are brought up to condition 3 (satisfactory). It should be noted the cost to satisfactory is an indicator of asset condition, and as such the reality of asset renewals is that those assets in condition 4 and 5 when renewed would be brought up to condition 1 or 2.

Figure 9 Infrastructure backlog recalculated using the standard Morrison Low methodology



The table below sets out what each council would need to spend on additional renewals (i.e. over and above maintaining a 100% asset renewal ratio) to reduce the infrastructure backlog ratio to the benchmark within five years.

Table 12 Cost to bring assets to satisfactory

Council	Total value of assets ⁷	Cost to satisfactory	Target Backlog	Reduction Required	Per year (5 years)
Ashfield	\$291,628	\$ 7,460	\$ 4,137	-\$ 3,323	\$ 665
Burwood	\$445,359	\$ 23,421	\$ 5,547	-\$ 17,874	\$ 3,575
City of Canada Bay	\$695,888	\$ 17,068	\$ 7,683	-\$ 9,385	\$ 1,877
Leichhardt	\$760,352	\$ 21,229	\$ 9,722	-\$ 11,508	\$ 2,302
Marrickville	\$839,079	\$ 29,689	\$ 12,097	-\$ 17,591	\$ 3,518
Strathfield	\$224,825	\$ 4,383	\$ 2,536	-\$ 1,847	\$ 369

⁷ Current Replacement Cost (2014)

4.2.5 Annual funding gap

The table below summarises the expenditure required by each council, based on our standardised approach, in order to meet all three asset based ratios within five years. Once the infrastructure backlog is brought to the benchmark then the required expenditure in all councils falls.

We have not included the funding gap related to the operating performance ratio in this table as that would not present a realistic picture of the required expenditure. Any increase in expenditure on maintenance or renewals will flow through to affect the operating revenue and expenses of the Council and therefore the Operating Performance Ratio. Additionally, a council may choose to address the funding gaps identified in Tables 8 – 12 by increasing revenue, shifting funding from another service or activity, reducing overall costs or a combination of all the above. This will all affect the other ratio. It is not therefore considered possible to simply add the Operational Funding Gap identified in Table 8 and Asset Funding Gap identified in Table 13 below together into a single figure.

Table 13 Combined asset funding gap

Council	Asset Maintenance	Renewals	Infrastructure Backlog	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Ashfield	\$ 662	\$ 1,298	\$ 665	\$2,625	\$1,960
Burwood	\$ 1,159	-\$ 1,223	\$ 3,575	\$3,511	-\$64
City of Canada Bay	\$ 1,919	-\$ 667	\$ 1,877	\$3,129	\$1,252
Leichhardt	\$ 4,634	-\$ 1,883	\$ 2,302	\$5,053	\$2,751
Marrickville	\$ 1,338	\$ 3,583	\$ 3,518	\$8,439	\$4,921
Strathfield	\$ 703	\$ 690	\$ 369	\$1,762	\$1,393

4.3 Merged council

4.3.1 Description

The merging of the six councils into one inner west council will create an entity that is larger in many respects than any other council in New South Wales – past and present.

With the exception of the City of Sydney, which has a significantly larger expenditure budget due to its capital city status, the largest council in New South Wales is currently Blacktown City Council. An inner west council will be larger in many respects than Blacktown City Council, particularly in respect to assets under management and population.

To give some scale to the proposed council organisation, set out below are some broad indicators of the attributes of a new inner west council and a comparison to Blacktown City Council⁸:

Table 14 Comparison of inner west council and Blacktown City Council

	Inner West Council	Blacktown City Council
Full time equivalent staff	1,786	1,352
Geographic area	76 km ²	240 km ²
Population	336,000	318,000
Annual expenditure	\$380 million	\$ 400 million
Assets managed	\$ 6.2 billion	\$ 3.3 billion

The new council would be home to more than 6% of the population of the entire greater Sydney metropolitan area and would represent a significant proportion of the inner metropolitan population. This would be signified by its population being represented by seven state parliamentary electorates/members and three federal electorates/members. The combined population would have a better educational profile and moderately high levels of wealth per household, when compared with the rest of Sydney.

4.3.2 Services

The range of services and facilities provided by any council to its community varies significantly from place to place. Not only do the types of services vary, but the levels of service will often be quite different from council to council.

The reasons for these variations are numerous. For many councils the suite of services that they offer in the present day is a reflection of decisions made by councils past. Those decisions are generally based on community desires and needs, funding availability or strategic business choices. Figure 10 highlights the locations of some key council services including council offices, libraries, depots, swimming pools and recreation centres.

⁸ OLG Comparative Performance Data 2012-13

Figure 10 Key services and facilities of the inner west

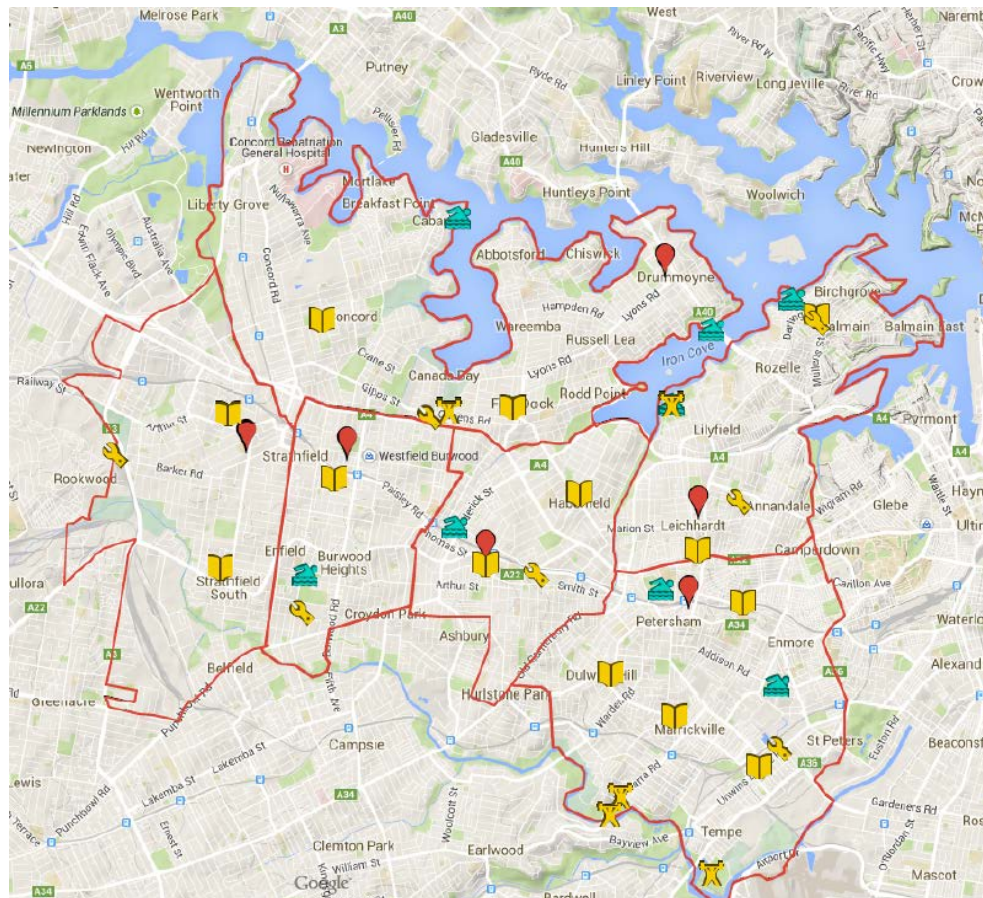


Table 15 Key to figure 10

	Council Offices
	Public Libraries
	Swimming Pools
	Recreation Centres
	Council Depots

Regardless of the original rationale for service types, levels and delivery decisions, councils need to continue to make regular and structured revisions to their service portfolios in order to meet emerging or changing community needs, capacity to pay issues or regulatory change.

The councils of the inner west are reflective of the broader local government industry and exhibit many variations on the types and levels of service that they offer to their communities despite their relative proximity. There are obviously cost implications for the councils providing different services and levels of service.

There are a range of examples where services vary across council borders within the inner west and those variations can be in the form of:

- providing a particular service or not doing so
- differing methods of delivering services (in house, outsourced, collaborative)
- variety in the levels of service delivered (frequency, standard)
- pricing.

The issue of the provision of children's services is a case in point. Ashfield, Burwood and Strathfield Councils do not directly provide centre based child care services while City of Canada Bay provides a family day care service and a children's centre. Leichhardt and Marrickville, however, each have a portfolio of council operated child care centres or preschools (four and six respectively) with more in the planning stages at Leichhardt.

In these cases, the differences are not simply in the type of delivery of the services to the community, but in the policy positions adopted around direct provision or the facilitation of delivery through other mechanisms.

The provision of aquatic facilities is another area that demonstrates a range of approaches across the councils involved. With the exception of Strathfield, all of the inner west councils provide at least one aquatic facility. However those facilities range across a spectrum from ocean baths to swimming centres to full aquatic and leisure centre developments. Several of the councils undertake the full management of their facilities including the operation of the centres by day labour, while others outsource the management and operation of their centres to commercial operators.

The user pricing of these facilities also varies across the councils. From \$6.00 to \$7.50 (a range of up to 25%) for a single casual adult entry, each of the five councils providing facilities charges a different fee.

The councils also have different response times. For example, the response time in relation to complaints about animals ranges from within 24 hours (Ashfield and Strathfield) to within five days (Canada Bay). Likewise there is a significant variation between published response times relating to Graffiti from 48 hours (Ashfield and Strathfield) to five days (Burwood).

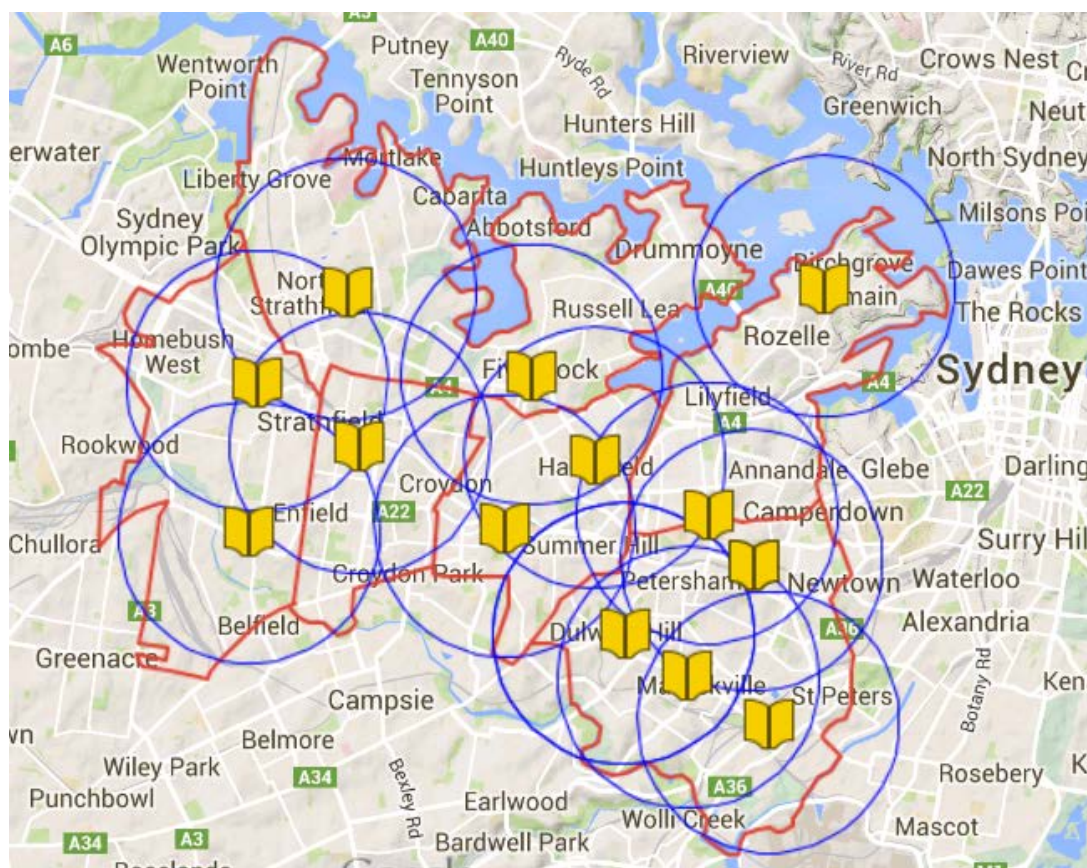
Another example arises from the fact that most of the councils offer a verge mowing service of some description. Variation is demonstrated in the service standards, such as frequency of mowing, but most significantly in the eligibility of property owners to access the service. In most council areas eligibility revolves around age or infirmity except for residents in Leichhardt and Marrickville. In these council areas the service is a regular programmed services and is provided across the local government area to all areas with a grass verge.

Set out in **Appendix D** is a table containing a high level review of a range of council service and the variations in those among the councils of the inner west.

Establishing a uniform, or at least consistent, service offering through the mechanisms of service standard setting, pricing and delivery will be a challenging exercise for any merged council however it does provide opportunities for service review and re-evaluation. Often in a merged council the desire to ensure an equitable and fair service across the entire local government area can result in a gradual increase in services and services levels. In assessing the advantages and disadvantages of a merger of the inner west councils the assumption has been made that current service levels will continue until such time as the merged council makes a decision otherwise.

The location of the libraries and swimming pools of the inner west councils are set out in Figures 11 and 12 below. Each facility has a representative catchment drawn around the location of facility⁹. The size and nature of the facilities varies and the catchments are not scaled to demonstrate an oversupply or identify a facility or facilities for rationalisation. The purpose is to highlight the different challenge that a council of the inner west will be faced with in regards to the provision and the location of services and facilities. Having responsibility for a larger area without the existing internal boundaries will require a different approach and likely lead to changes in services and service delivery.

Figure 11 Location of the libraries of the inner west



⁹ Representative catchments for libraries is at 2km and Swimming Pools at 5km

However a number of differences can also be observed. The New South Wales Local Government Areas: Similarities and Differences report¹⁰ categorises the council areas into a number of different clusters based on the predominance of certain demographic factors:

- Burwood and Strathfield are in the cluster of the most multicultural council areas in NSW
- The City of Canada Bay and Leichhardt are in the highest wealth cluster of council areas
- Ashfield and Marrickville are in the most academically inclined cluster of council areas

Other differences include:

- Strathfield's population density is significantly lower than the other areas and much closer to the areas to its west such as Parramatta, Auburn and Holroyd
- there are differences in the cultures that are predominant in the areas
- Burwood is somewhat of an outlier in terms of socioeconomic disadvantage and the factors that make this up including household income
- there are more residents of Burwood and Strathfield in the generally lower earning occupations (trades, labouring)
- City of Canada Bay has the largest economy in gross terms, however when this is considered at a per capita level (population, businesses and workers), Strathfield has a high value economy for its size
- City of Canada Bay and Leichhardt have higher rates of employment containment
- political representation differs across the inner west.

At the state and federal level, the inner west continues to be grouped within the same regions for both services and strategic planning.

4.3.4 Environment

4.3.4.1 Natural and built

A summary assessment, relative to the other councils, has been considered on the relative emphasis on:

- protection of the natural environment – the councils may well have other environmental strategies or programs of work in place but the level of emphasis on protection in the LEP should indicate the level of commitment
- protection of the built environment/heritage and character of the existing urban area
- the overall (policy) approach to growth and development.

In our view Burwood is the relative outlier with a relatively permissive approach to development and little or no aims around protecting the natural environment or built heritage. The high level review identified that with the exception of Burwood, all the councils are promoting a transport oriented, compact quality approach to growth and development. Some also promote housing diversity and affordability. However, Burwood Council has indicated that the council's efforts "have been on meeting the growth targets imposed by the State government by concentrating all development around public transport nodes (Burwood Station and Strathfield Station)".

¹⁰ National Institute of Economic and Industry Research, New South Wales Local Government Areas: Similarities and Differences, March 2013

In terms of environmental protection and protection of heritage the councils could be said to fall into a spectrum:

- Environmental protection – Burwood (low / no emphasis in overarching plan aims) to Leichhardt (high emphasis in overarching plan aims)
- Built heritage – Burwood (low / no emphasis in overarching plan aims) to Leichhardt (high emphasis in overarching plan aims)
- The summary of the comparison is set out in **Appendix F**

4.3.4.2 Indicators

Table 16 Environmental indicators

Council	Waste diverted (%)	Open Space (Ha/’000 population)	Tree Canopy (% of LGA)
Ashfield	36	1.09	19.8
Burwood	35	1.09	21.5
City of Canada Bay	44	3.35	20
Leichhardt	43	1.47	20.3
Marrickville	41	1.43	16.3
Strathfield	72	3.26	18.4
Combined	44	2.03	19

4.3.5 Representation

Table 17 Comparison of representation

Council	Representation (population / Councillor)
Ashfield	3,638
Burwood	4,953
City of Canada Bay	9,133
Leichhardt	4,692
Marrickville	6,807
Strathfield	5,381
Combined	22,413 ¹¹

¹¹ Assuming 15 Councillors

4.3.6 Organisation alignment

4.3.6.1 Policy alignment

A comparison of each council's community strategic plan was undertaken to identify at a high level whether there was consistency or inconsistency between the organisations in a policy sense. At the Community Strategic Plan level, the inner west councils' Community Strategic Plans are all relatively consistent. This is not an unexpected result. While there are some differences that stand out in our view these are around the edge.

Each Council's plans are presented quite differently but it has been possible to draw out their vision, and what each has called either themes or key result areas.

Each of the five communities have, through their future plans identified strong visions for their community. While expressed differently, each council's vision and high level themes for delivery are in many ways aligned with a focus on: The environment, the economy, its people, leadership and access to quality services.

Connectivity is a feature across all communities. This connectivity is characterised across each community to include things such as transport and infrastructure, technology and through social and human capital.

A principle of effective and accountable government features across all councils, with the Councils of Marrickville, Strathfield and Leichhardt specifically noting it in their vision for the future.

The cities of Marrickville, Burwood Ashfield and Strathfield's visions specifically highlight the importance of supporting diversity within their communities, and ensuring that future communities are built on the diversity that is present within their council region. This also features in other communities' plans through the exploration of themes and key activities areas.

A desire to expand the local economy is a feature of all plans, with a strong emphasis on development of small business within the communities.

Creating usable and sustainable environments also feature across the communities. The emphasis varies from a focus on maintaining the natural environment (for example Canada Bay) to creating useable spaces such as parkland (for example Marrickville). Regardless, it shows a commitment across communities to prioritising the managing of the use of land and space for community amenity across the regions.

While there is, at a high level, comparison between the five councils, we acknowledge that the differences where they arise will become more apparent at a more detailed level of analysis (e.g. Delivery Programs, Operational Plans).





4.3.6.2 Cultural Alignment

It is difficult to compare the internal cultures of the council organisations in this exercise, however there are some simple measures that may provide appropriate indicators.

By measuring training and development expenditure against both total expenditure and full time equivalent staff numbers we can assume that each of the councils has a similar approach to staff development, tempered by some variation in the actual numbers.

Each council spends less on training and development than industry bench marks. From 0.15% (City of Canada Bay) of total expenditure to 0.54% (Marrickville) all councils are well below the 1% of total expenditure that is considered the industry benchmark. The annual expense, per employee, ranges from \$361 to \$946 although the three median councils are consistent at around \$500 to \$600 per staff member.

These figures can be influenced by factors such as the maturity of the workforce and the fluctuating nature of total expenditure year on year and ideally, should be compared over time.

A further indicator is annual staff turnover. Not all councils reported this statistic however the three that did were reporting 9%, 10.7% and 11.8%, with an industry average indicated at around 9% turnover annually. Again, this is as much dependent upon the profile of the workforce as it is on corporate culture however it does identify some common ground.

Community Values

Although *community* values are quite specific to local needs and community aspirations, there are common themes that emerge from a comparison of the visions for their communities that are expressed by the councils.

The common themes that emerge, very consistently, among the councils' community values are:

- Sustainability / environment
- Local economy
- People and places
- Leadership, governance and democracy
- Services

All of these elements of community vision are expressed differently however the underlying commonality is evident.

Corporate Values

Similarly, the two councils with accessible *corporate* values share some commonality in their key messages.

The common elements are:

- Responsiveness
- Transparency
- Innovation
- Consultation/Communication
- Accountability

It would be fair to say that these are relatively common corporate values in any case.

Council Policies

A desktop review of the policy registers of the councils highlights some interesting differences in the issues that have been given priorities (at some point in time) by the different councils. A couple of policies or focuses that stand out are:

- Marrickville has a Business with Burma Policy
- Leichhardt's purchasing policies include a Memorandum of Understanding with the Labor Council
- Leichhardt features both a public art policy and a Fair Trade Community Policy
- Marrickville has a clear arts and culture focus through a Cultural Policy, Arts Grants and Artist Exchange Policies
- Marrickville and City of Canada Bay have a strong focus on community engagement through the use of Citizen's Panels
- Ashfield has a Culturally Diverse Society Principles Policy, a Recognition of Aboriginal Community Policy and a strong focus on community engagement
- Marrickville has a strongly statement commitment to its LGBTIQ community
- Ashfield report a focus on their governance framework which is exhibited by the policies relating to Enterprise Risk Management, Corruption Prevention, Fraud Prevention, Conflict of Interest, Statement of Business Ethics and rigorous Internal Audit program

While we recognise policies change and reflect a position at a particular time they also reflect the organisational culture which is tasked with implementing them.

Size of Councils

Organisational size can impact on culture in a range of ways, such as diversity of skills and workforce characteristics, level of specialisation vs multifunctional roles, capacity to undertake a greater range of functions and services, and partnership and advocacy capacity with other levels of government.

In the Inner West, a council such as Strathfield which has a very small size workforce, is considerably more constrained in its strategic capacity than a council the size of, say, City of Canada Bay, which has the size and capacity for greater specialisation of roles, diversity of functions and services, and detailed strategic planning down to a smaller precinct level.

In any merger there is likely to be a sense from the smaller councils that larger councils are taking over.

At present, a number of the councils in the Inner West are heavily and proactively engaged with the State Government on major infrastructure projects, such as WestConnex. This can change the focus of an organisation away from simple delivery of its own services, to a wider view of local governance and partnership in delivery of broader state and federal objectives.

4.3.7 Financials

The estimated costs and benefits of a merger of the inner west have been modelled, with the results set out below.

Tables 18 and 19 provide a summary, narrative and financials of the costs and benefits of the merger with the detailed assumptions set out in **Appendix C**.

The modelling has been undertaken on the basis of constructing a base case for each council using the current LTFP (with alternative scenarios for those councils intending to seek special rate variations) including all assumptions that a council has made in order to inform the development of that document. The merged council is modelled on the basis of a combined base year where all council costs and revenues set out in the LTFP are brought together (2015). Common assumptions are then modelled forward for increase in revenue and costs. Overlaid are the costs and benefits of the merger with Short (1-3 years), Medium (4 – 5 years) and Long Term (6 – 10 years) time horizons. For simplicity, all transitional costs are modelled as taking place within the first three years. A sensitivity analysis is set out in Appendix C to test the impact of a failure to reach the stated IT benefits.

Table 21 then summarises the financial performance of the merged council with the Fit for the Future Indicators set out later in section 4.3.9.

Table 18 High level description of costs and benefits arising from merger

Item	Short Term (1 – 3 years)		Medium term (4 – 5 years)		Long Term (6-10 years)	
	Cost	Benefit	Cost	Benefit	Cost	Benefit
Governance		Reduction in total cost of councillors				
Staff	Redundancy costs associated with Senior Staff	Reduction in total costs of Senior Staff Reduction through natural attrition	Redundancy costs associated with any reduction in staff numbers Increase in staff costs associated with typical increase in services and service levels from merger	Reduction in staff numbers in areas of greatest duplication	Increase in staff costs associated with typical increase in services and service levels from merger	
IT	Significant costs to move to single IT system across entire council					Benefits arise from single IT system and decrease in staff
Materials and Contracts		Savings from Procurement and network level decisions over asset expenditure		Savings from Procurement and network level decisions over asset expenditure Savings from moving to large regional waste contract		Savings from Procurement and network level decisions over asset expenditure
Assets			Rationalisation of plant and fleet			
Transitional Body	Establish council and structure, policies, procedures Branding and signage	Government grant				

Table 19 Summary of Costs and Benefits (Financial)¹²¹³

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Governance	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M
Staff									
-Redundancy's	\$9.65M	\$15.5M	\$21.4M	\$19.3M	\$23.6M	\$21M	\$18.4M	\$15.8M	\$13.2M
-Natural attrition									
-Staff increase									
IT									
-Transition costs	\$-42M	\$-21M	\$-7M			\$10M	\$10M	\$10M	\$10M
-Long term benefits									
Materials and Contracts	\$2.0M	\$2.0M	\$2.0M	\$2.9M	\$3.4M	\$4.8M	\$4.8M	\$4.8M	\$4.8M
Assets									
-Plant and fleet				\$36M					
-Buildings									
Grants and Government Contributions	\$16.5M								
Transitional Costs									
-Transitional body	\$-16.2M								
- Rebranding									
Total	\$-28.9M	\$-2.4M	\$17.5M	\$59.3M	\$28.M	\$36.9M	\$34.3M	\$31.7M	\$29.1M

While the merged council has a number efficiencies modelled in over the short, medium and longer term the significant short term costs arising from the merger and the redundancy costs that arise in the medium term mean that the financial performance over the initial period is not positive. In the medium and longer term the financial performance of the council improves but the impact of rising costs from staff increases associated with services and service levels begins to also take effect.

¹² The table provides a simple representation of costs and benefits which in the modelling are subject to appropriate inflationary adjustments

¹³ Costs are shown as negative figures, benefits as positive

It should be highlighted and is demonstrated in section 4.3.9 that the merged council has an asset related funding gap which will need to be addressed and that the modelling does not include an increase in revenue through any Special Rate Variation as is the case with Ashfield and Marrickville.

The NPV of the costs and benefits over the period being modelled (2023¹⁴) has been calculated and set out below.

Table 20 **Summary of costs and benefits**

NPV at 4%	NPV at 7%	NPV at 10%
\$173 million	\$143 million	\$119 million

¹⁴ 2023 is the period being modelled to match the time covered by all Council LTFPs

Table 21 Summary of financial impacts of merger

Income Statement	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Source: Council Financial Statements and Long Term Financial Plan	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Rates & Annual Charges	210,210	220,688	236,493	243,588	250,895	258,422	263,788	271,702	276,633	284,932	293,480
User Fees & Charges	56,200	59,850	63,555	65,220	66,981	68,763	70,647	72,583	74,571	76,615	78,714
Grants & Contributions - Operations	27,874	22,262	28,237	27,779	28,418	29,072	29,740	30,425	31,124	31,840	32,572
Grants & Contributions for Capital	34,193	37,628	22,949	22,577	23,096	23,627	24,171	24,727	25,296	25,877	26,473
Interest and Investment Income	14,775	11,708	9,485	9,864	3,857	3,857	3,857	3,857	3,857	3,857	3,857
Gains from disposal assets	338	142	1,653	1,626	1,664	1,702	37,862	2,612	2,672	2,733	2,796
Other Income	31,590	31,385	27,617	27,169	27,794	28,433	29,087	29,756	30,441	31,141	31,857
Total Income	375,180	383,663	389,989	397,824	402,706	413,877	459,153	435,661	444,594	456,995	469,749
Income excl Gains/losses	374,842	383,521	388,336	396,198	401,042	412,175	421,291	433,049	441,922	454,262	466,953
Income excl Gains/losses & Capital Grants	340,649	345,893	365,387	373,621	377,946	388,548	397,120	408,322	416,626	428,385	440,480
Expenses											
Borrowing Costs	3,136	2,916	3,092	3,247	3,409	3,579	3,758	3,946	4,144	4,351	4,568
Employee Benefits	150,279	156,556	167,472	161,997	160,377	158,774	160,079	168,883	178,172	187,971	198,310
Gains & losses on disposal	734	63	-	-	-	-	-	-	-	-	-
Depreciation & Amortisation	49,000	47,306	50,709	52,460	54,222	54,553	56,231	57,960	59,743	61,581	63,475
All other Expenses	140,303	147,838	140,470	183,239	168,036	159,077	159,356	171,506	162,051	166,912	171,920
Total Expenses	343,452	354,679	361,743	400,943	386,045	375,983	379,424	402,295	404,110	420,816	438,273
Operating Result	31,728	28,984	28,246	- 3,119	16,661	37,894	79,729	33,366	40,484	36,180	31,476
Operating Result before grants & contributions for capital purposes	- 2,465	- 8,644	5,297	- 25,696	- 6,435	14,267	55,558	8,639	15,189	10,302	5,004

Rates

Given the differing rating structures among the councils it is difficult to model the impact of a merger on rate revenue and in particular the impacts on individual land owners. As a starting point the current rates for the inner west councils are set out below highlighting the existing differences as well as the different approaches.

Figure 19 Average residential rate (2014)

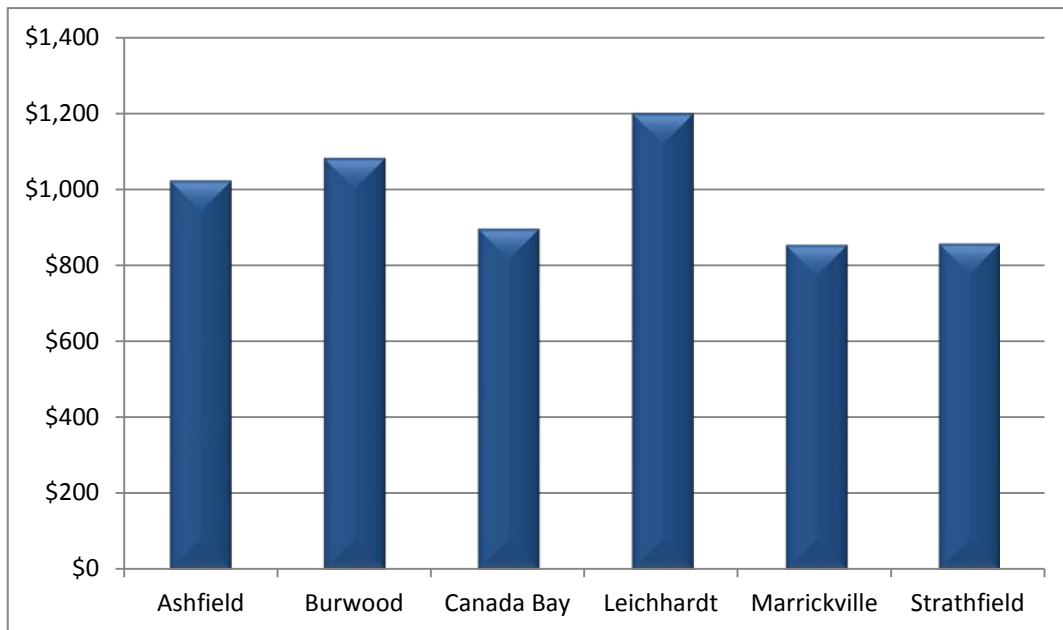


Figure 20 Average business rate (2014)

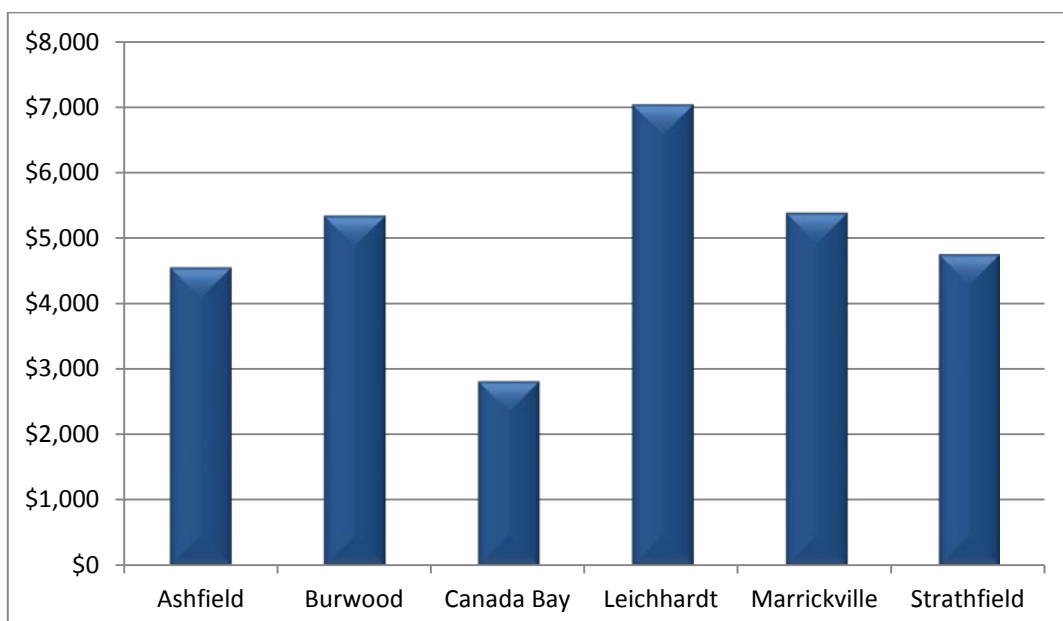


Figure 21 Comparison of minimum and base rates (2014)

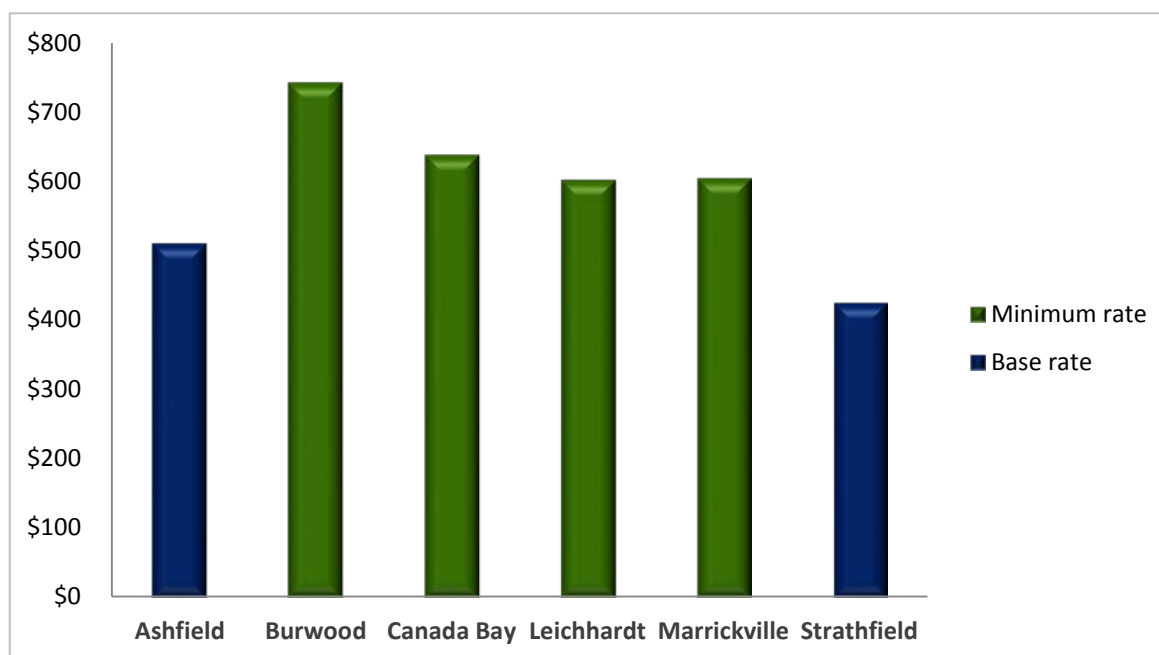


Table 22 Comparison of proportion of residential and business rates

Proportion of rates	Ashfield	Burwood	City of Canada Bay	Leichhardt	Marrickville	Strathfield
Residential	80%	73%	86%	67%	60%	69%
Business	20%	27%	14%	33%	40%	31%

In order to provide information on what the potential impact of a merger on rates would be representative examples have been modelled by redistributing the 2014/15 rates without adjusting the rating structures. Two scenarios have been used based on the total rate revenue (residential and business) of the inner west councils. In each scenario the total rates (residential or business) are apportioned across the inner west consistently. Scenario 1 is entirely ad valorem and Scenario 2 provides for a base charge to be set at the maximum level with the remainder ad valorem.

The key drivers are therefore land values and the differences in the way in which councils currently allocate rates between categories. The actual impact on any property or properties will be the result of the actual rating structure chosen by any new council and how quickly a merged council decided to adopt and then implement a single rating structure. Within each council area there will be individual properties that are affected in different ways by the changes due to categorisation and land valuation issues.

Analysis of potential changes in average rates indicate that in comparison the standard rate peg change in rate (2.3% for 2014) there would be significant changes in rates across the inner west arising from a merger. The changes are described in the figures below by reference to a change from the 2014-15 rate and expressed as a percentage change.

Figure 22 Change in residential rate (ad valorem)

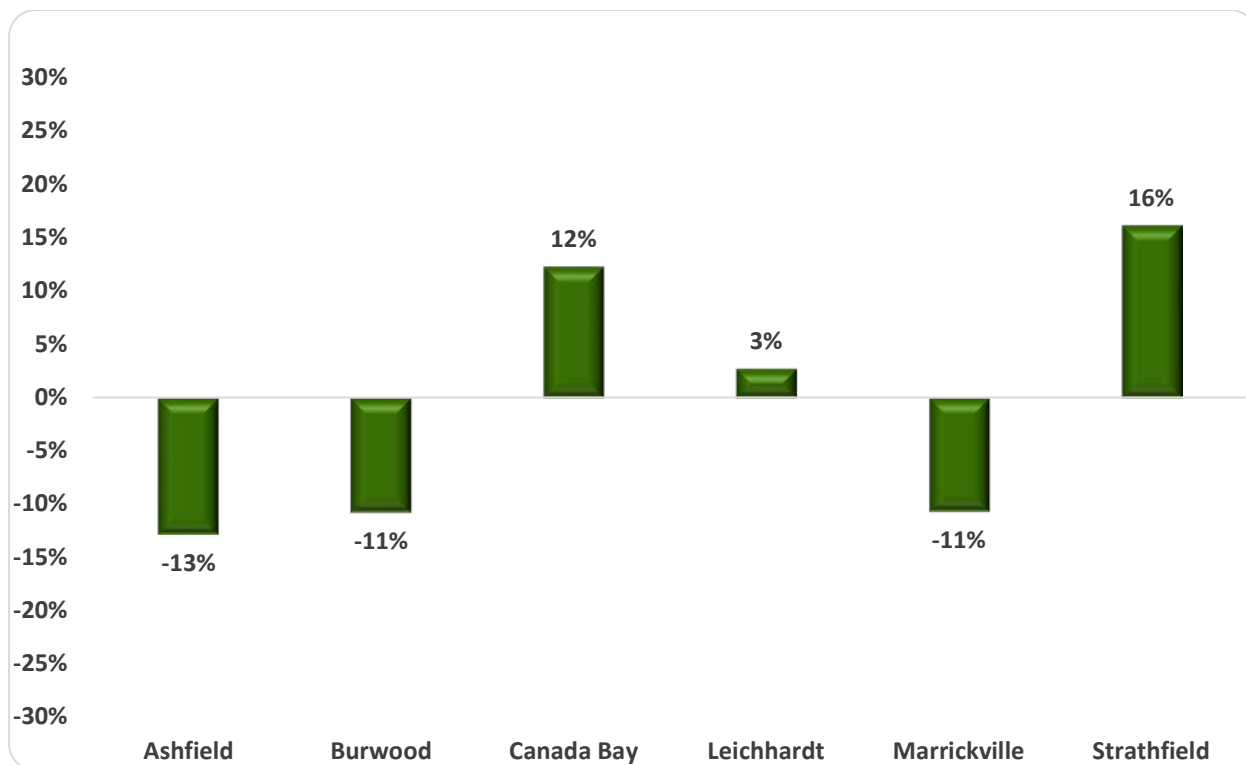


Figure 23 Change in residential rate (base rate)

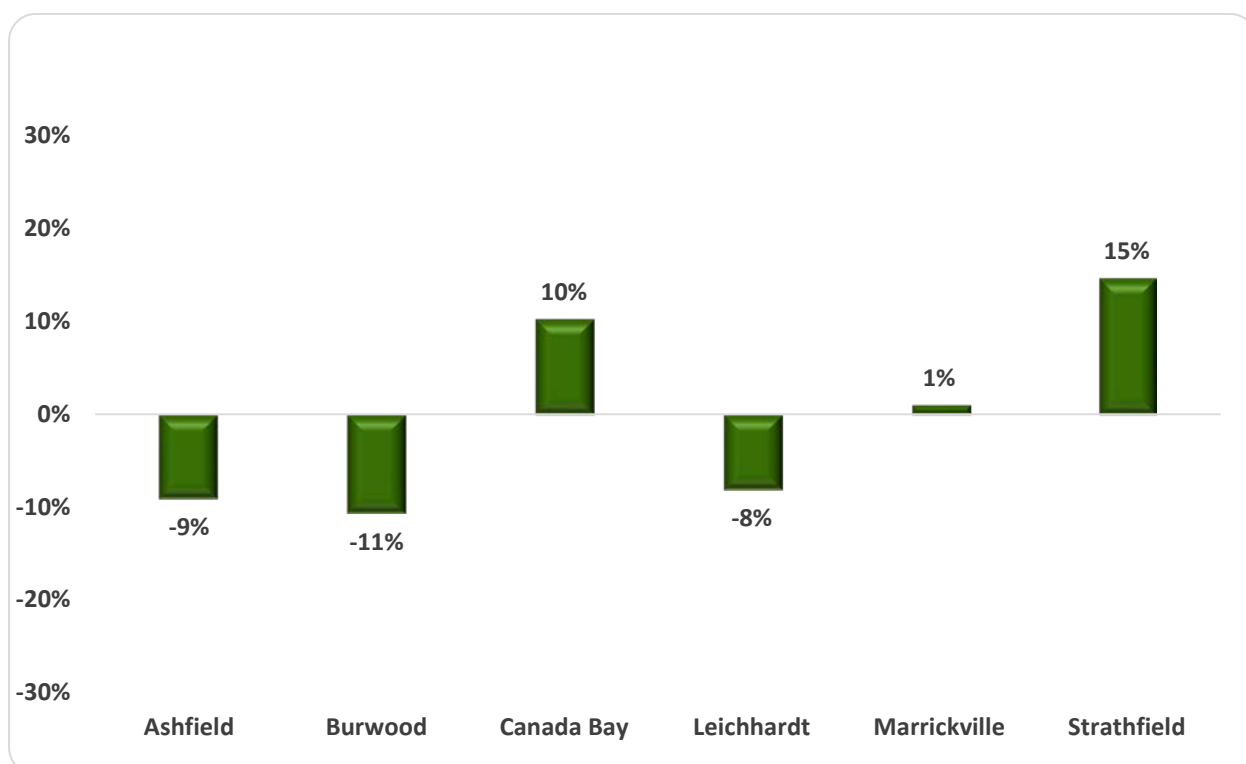


Figure 24 Change in business rate (ad valorem)

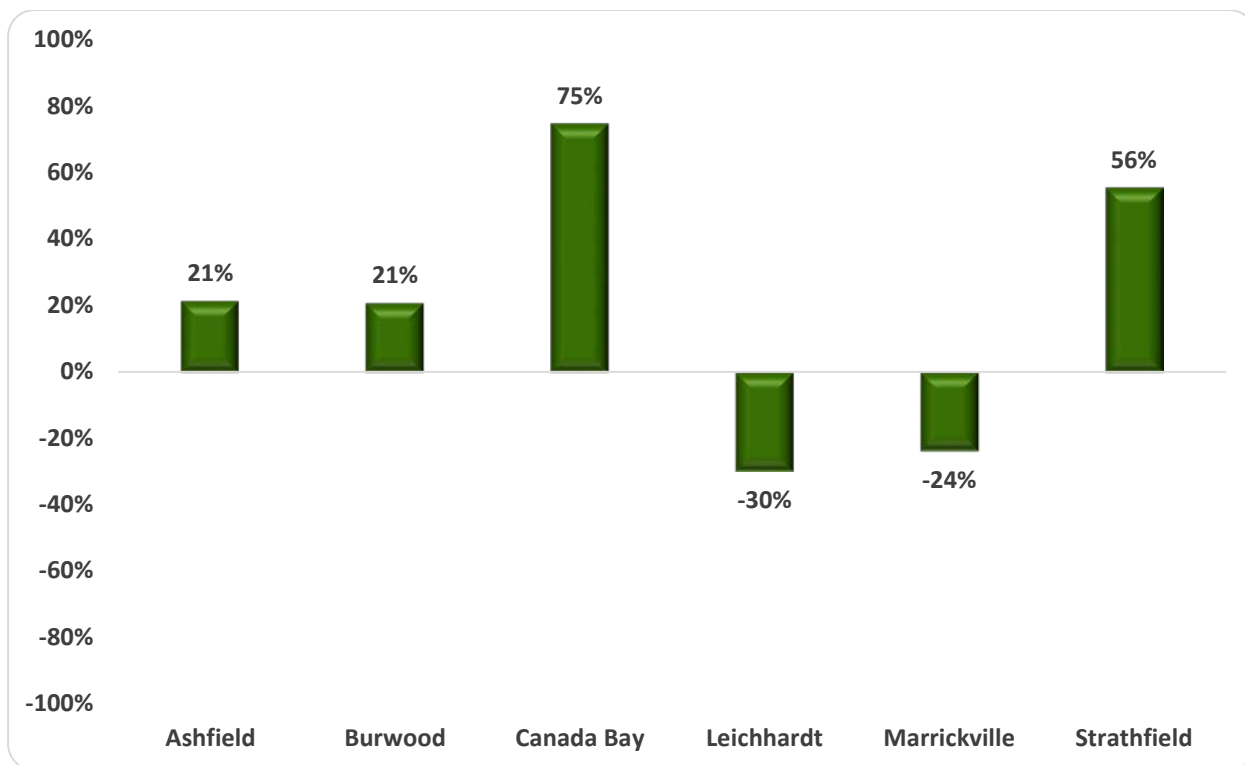
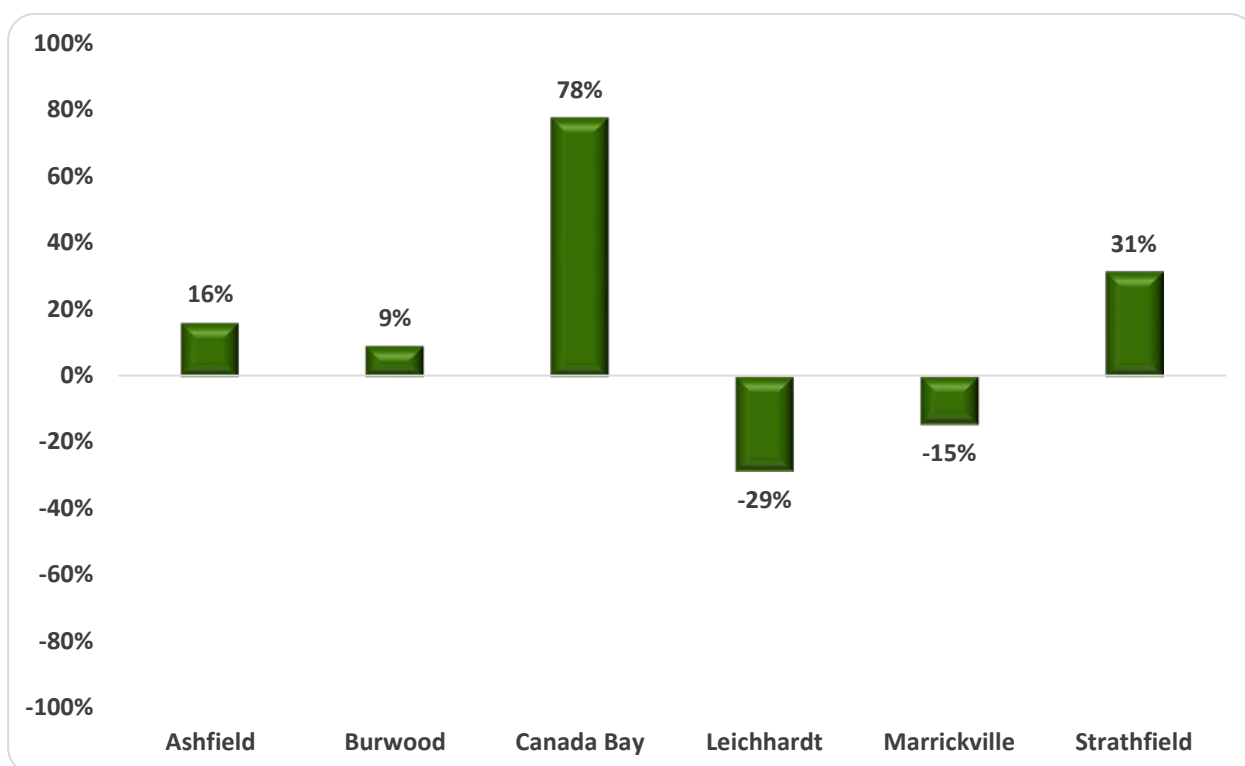


Figure 25 Change in business rate (base rate)



Debt

The councils of the Inner west collectively and individually carry little or no debt and all are well within the Fit for the Future benchmark. However, it is recognised that debt is an issue of general concern to communities and that those debt free communities may have a view as to the loss of that debt free status in a merged entity. We are advised that in December 2014 Ashfield resolved to retire their debt.

Total collective debt for the inner west councils is currently \$42.7 million.

Table 23 Comparison of debt

Council	Debt (\$000)	Debt Service Ratio	Debt per Capita (\$)
Ashfield	9,393	4.09	216
Burwood	6,714	10.75	194
City of Canada Bay	0	0	0
Leichhardt	11,411	12.46	203
Marrickville	15,205	1.66	186
Strathfield	0	N/A	0
Combined	42,723		127

4.3.8 Scale and capacity

Scale

Scale has not been defined by either the Independent Review Panel or the Office of Local Government. However, an analysis of the inner Sydney metropolitan councils not recommended for merger appears to indicate a threshold requiring a population of approximately 250,000¹⁵ by 2031.

On that basis the table below identifies the mergers in the inner west that would satisfy the scale criteria.

¹⁵ Average population in 2031 of the inner Sydney Metropolitan Councils not recommended for merger

Table 24 Inner west mergers

Inner West Mergers meeting scale criteria	
2 Councils	No mergers satisfy threshold
3 Councils*	Burwood + City of Canada Bay + Marrickville City of Canada Bay + Leichhardt + Marrickville Ashfield + City of Canada Bay + Marrickville City of Canada Bay + Marrickville + Strathfield
4 Councils	All possible mergers except merger of Ashfield, Burwood, Leichhardt, Strathfield
5 Councils	All possible mergers satisfy threshold
6 Councils	Satisfies threshold

* Only the merger of Ashfield, City of Canada Bay and Marrickville comprises councils with fully common boundaries.

Capacity

The panel report articulates the Key Elements of Strategic Capacity¹⁶

Figure 26 Scale and capacity

Box 8: Key Elements of Strategic Capacity
<ul style="list-style-type: none"> More robust revenue base and increased discretionary spending Scope to undertake new functions and major projects Ability to employ wider range of skilled staff Knowledge, creativity and innovation Advanced skills in strategic planning and policy development Effective regional collaboration Credibility for more effective advocacy Capable partner for State and federal agencies Resources to cope with complex and unexpected change High quality political and managerial leadership.

These key elements and the performance of the merger options against them is set out in the following table:

¹⁶ Box 8, Page 32 of Revitalising Local Government

Table 25 Scale and capacity in the inner west

Criteria	2 Councils	3 Councils	4 Councils	5 Councils	6 Councils
More robust revenue base and increased discretionary spending	No	Significant change	Significant change	Yes	Yes
Scope to undertake new functions and major projects	No	Significant change	Significant change	Yes	Yes
Ability to employ wider range of skilled staff	No	Moderate change	Significant change	Yes	Yes
Knowledge, creativity and innovation	No	No change	No change	Yes	Yes
Effective regional collaboration	No	Moderate change	Significant change	Yes	Yes
Credibility for more effective advocacy	No	Moderate change	Moderate change	Yes	Yes
Capable partner for state and federal agencies	No	No change	Moderate change	Yes	Yes
Resources to cope with complex and unexpected change	No	Moderate change	Moderate change	Yes	Yes
High quality political and managerial leadership	No	Moderate change	Moderate change	Yes	Yes

A more detailed explanation of the rationale for these assessments is set out in **Appendix E**.

4.3.9 Indicators

In common with the individual councils, the merged council meets the Own Source Revenue and Debt Service Cover benchmarks at day one of the merger. Again, consistent with, and as a function of, the individual councils' ratios both of these measures are maintained at well above the benchmarks for the duration of the modelling period.

The Operating Performance ratio improves over the initial period of the modelling to satisfy the benchmark from 2019. It should be noted that the impact of rising costs from staff increases associated with services and service levels begins to take effect in later years.

The ratio for Asset Maintenance falls initially and then remains static at 70% of the benchmark for the duration of the period modelled.

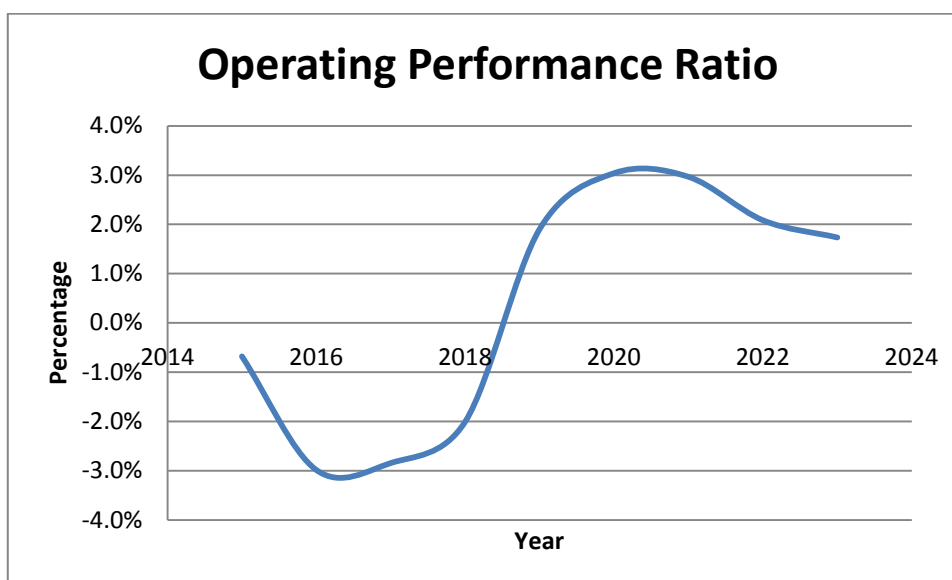
The Asset Renewals ratio is at the benchmark of 100% at day one however it rises above the benchmark in the first two years before falling back below the benchmark in 2018, remaining there for the remainder of the modelling period.

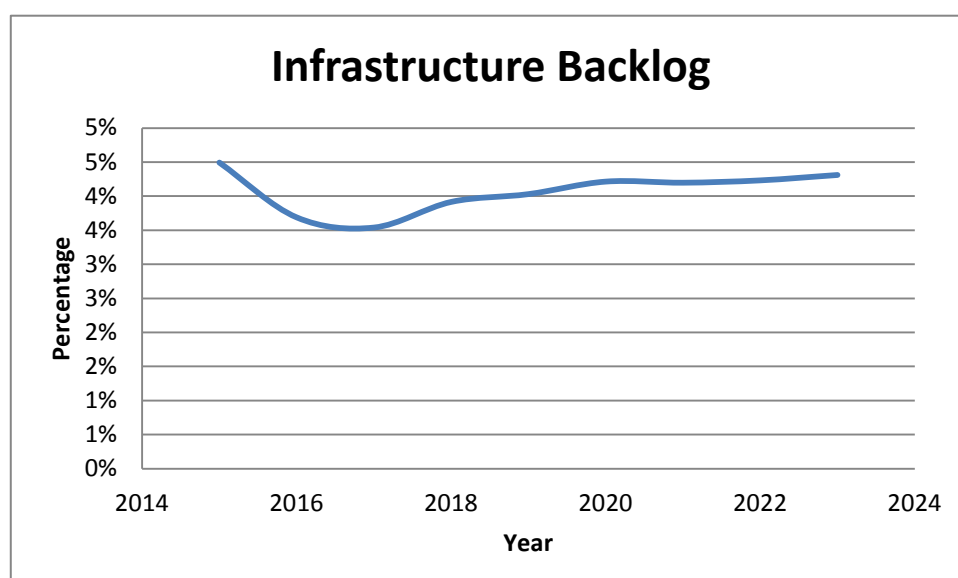
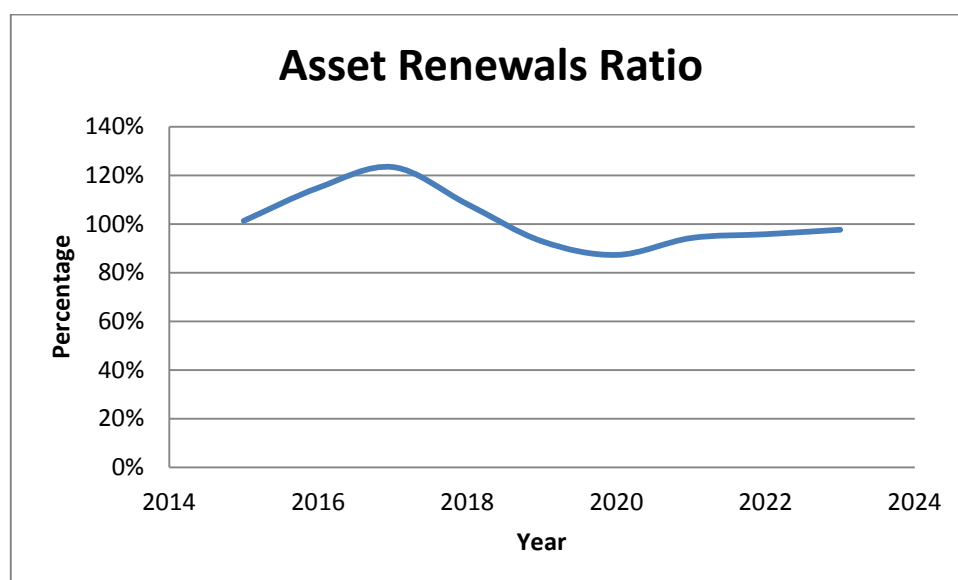
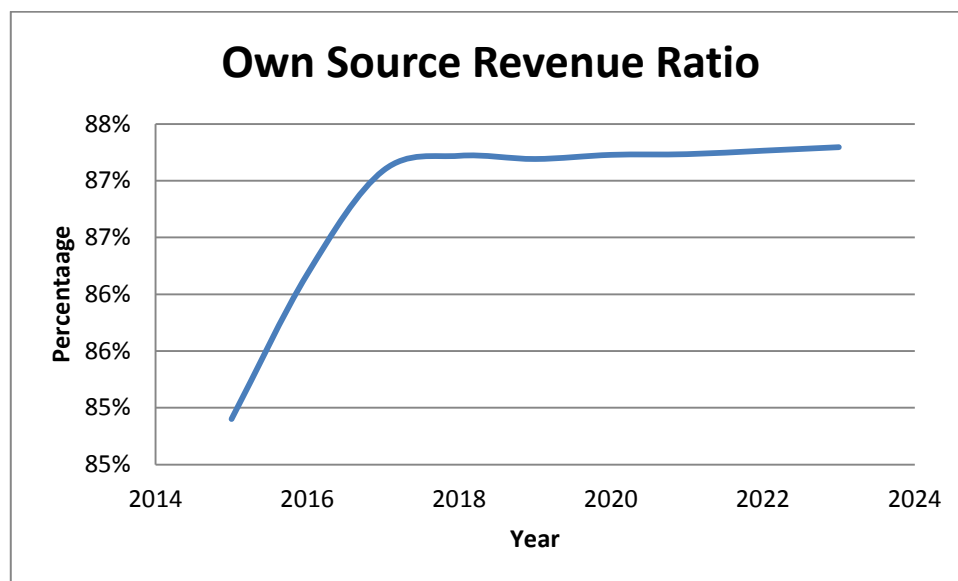
The Infrastructure Backlog drops initially based on the reported renewal expenditure of each council but then rises over the period being modelled, staying well above the 2% benchmark.

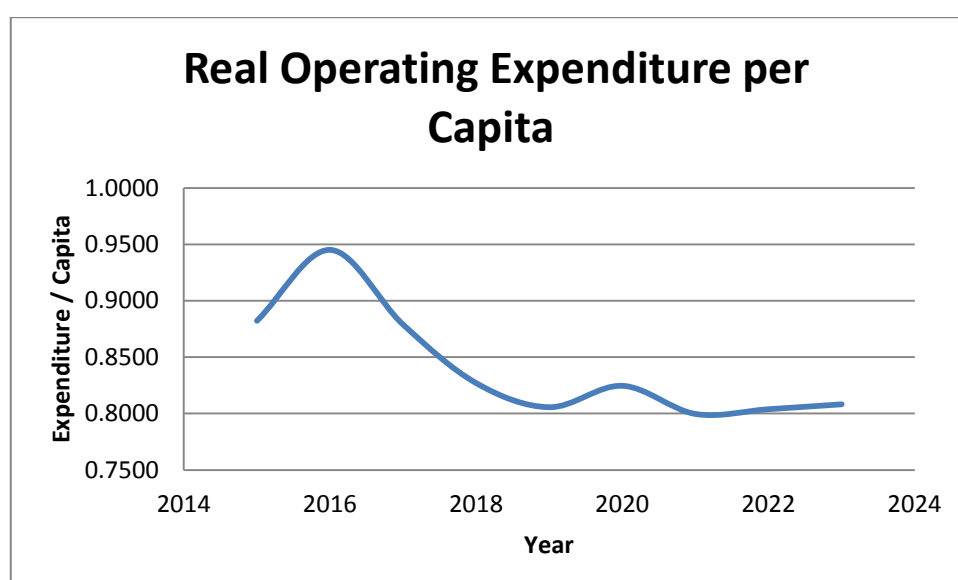
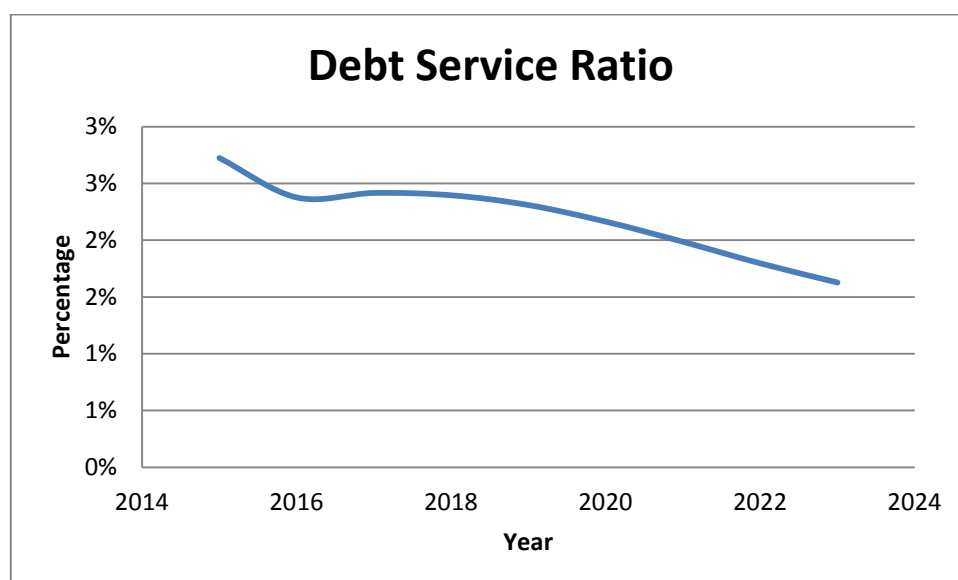
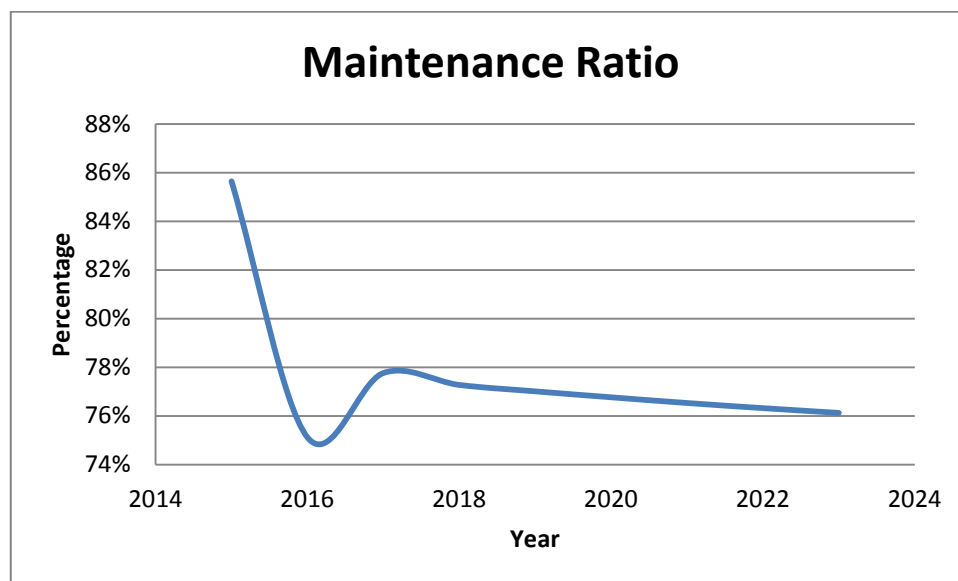
Of the Fit for the Future benchmarks, three (Own Source Revenue, Debt Service Cover and Asset Renewal) are met at the inception of the merged council entity, however one (Asset Renewal) fails to maintain the benchmark over time.

Table 26 Summary of inner west council using Fit for the Future indicators

Indicator	At Day One	Over Modelling Period
Operating Performance	Doesn't meet benchmark	Improves to satisfies the benchmark by 2019
Own Source Revenue	Already exceeds benchmark	Continues to exceed benchmark
Debt Service Cover	Already exceeds benchmark	Continues to exceed benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark during modelling period
Asset Renewal	Meets benchmark at commencement	Declines until falling below benchmark by 2018
Infrastructure Backlog	Doesn't meet benchmark	Doesn't meet benchmark
Real Operating Expenditure	Not applicable	Meets the benchmark







4.3.9.1 Asset Maintenance

The same approach to the calculation of required annual maintenance used for each individual council was applied to a merged inner west council to identify what, if any, gap in maintenance expenditure would exist. For the purposes of the modelling it is assumed that the combined expenditure on maintenance for the merged council is the total of the existing/predicted maintenance budgets.

Table 27 Merged council asset maintenance funding gap

Council	Actual Annual Maintenance	Estimated Required Maintenance	Gap
Inner West Council	\$23,487	\$33,902	-\$10,415

4.3.9.2 Asset Renewal

The required annual renewal expenditure for the inner west council is based on the combined calculation of the depreciation on building and infrastructure assets. For the purposes of the modelling it is assumed that the combined expenditure on building and infrastructure renewals for the merged council is the total of the existing/predicted renewal budgets for these assets.

Council	Average predicted annual renewals	Average required annual renewals	Gap
Inner West Council	\$41,382	\$43,177	-\$1,798

We have then calculated what the merged council would need to spend on additional renewals (i.e. over and above maintaining a 100% asset renewal ratio) to reduce the infrastructure backlog ratio to the benchmark within 5 years and set that out in the table below.

Table 28 Merged council renewal funding gap

Council	Cost to satisfactory	Target Backlog	Reduction Required	Per year (5 years)
Inner West Council	\$103,250	\$41,722	-\$61,528	-\$12,306

4.3.9.3 Funding shortfall

Table 29 Merged council asset funding gap

Council	Asset Maintenance	Renewals	Infrastructure Backlog	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Inner West Council	-\$10,415	-\$1,798	-\$12,306	-\$24,519	-\$12,213

4.3.10 Potential risks

The restructuring of any business activity is always a source of potential risk and the merging of council organisations is no exception. A proper risk assessment and mitigation process is an essential component of any structured merger activity.

Notwithstanding the above, this report is not intended to incorporate or deliver a detailed risk management strategy for any merger of the councils of the inner west. However it is possible to at least identify the major risks involved in the process from a strategic perspective.

Subsequent events and policy decisions

The primary risk is that the efficiencies projected in the business case are not delivered. This can occur for a variety of reasons however the highest risk is that subsequent events are inconsistent with the assumptions or recommendations made during the process.

Those events may arise from regulatory changes between analysis and delivery or subsequent policy decisions about service levels or priorities. As an example, a policy decision to adopt a “no forced redundancies” position after the statutory moratorium expires is unlikely to deliver on the financial savings proposed.

Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

4.3.11 Organisational Culture

It is difficult to compare the internal cultures of the council organisations in this exercise as organisational culture is often a combination of many different things, most of which are driven from leadership whether it be political or management. The leadership style or philosophy leads to organisational behaviors or approaches which become the organisational norm, helping define the culture. We know from past mergers and amalgamations that most organisations bring a unique culture often dominated by one or two characteristics (for example: pro development, environmental, customer driven, innovative, learning, team based, cost conscious, risk adverse or even siloed) that drive outward behaviours.

Intended cultures are articulated in organisational values which most organisations publish. Common themes amongst the organisational values in the inner west include:

- Strong communities
- Excellence
- Teamwork
- Engaging
- Sustainability
- Respect
- Innovative
- Efficient
- Fairness
- Accountability
- Integrity

There are no unique or potentially conflicting organisational visions or values amongst the inner west councils.

Customer satisfaction can be an indicator of whether some of these values or behaviours are being delivered. We note Marrickvilles most recent customer survey records ‘moderately-high’ overall community satisfaction with Council. Ashfield’s 2012 Community Satisfaction Survey identified overall community satisfaction with the Council as a professional organisation as 6.95.

Internal indicators of staff culture can be found in staff satisfaction surveys, staff turn-over, absenteeism (sick leave) and disputes. Staff absenteeism in Marrickville is trending down to 8 days average per annum, staff turn-over currently sits at approximately 10% and there were no reported disputes. Staff satisfaction averages 6.9 (out of 10) at Ashfield and 58% at Burwood.

By measuring training and development expenditure against both total expenditure and full time equivalent staff numbers we can assume that each of the councils has a similar approach to staff development, tempered by some variation in the actual numbers.

Each council spends less on training and development than industry bench marks. From 0.15% (City of Canada Bay) of total expenditure to 0.54% (Marrickville) all councils are well below the 1% of total expenditure that is considered the industry benchmark. The annual expense, per employee, ranges from \$361 to \$946 although the three median councils are consistent at around \$500 to \$600 per staff member.

These figures can be influenced by factors such as the maturity of the workforce and the fluctuating nature of total expenditure year on year and ideally, should be compared over time.

A further indicator is annual staff turnover. Not all councils reported this statistic however the three that did were reporting 9%, 10.7% and 11.8%, with an industry average indicated at around 9% turnover annually. Again, this is as much dependent upon the profile of the workforce as it is on corporate culture however it does identify some common ground.

Community Values

Although *community* values are quite specific to local needs and community aspirations, there are common themes that emerge from a comparison of the visions for their communities that are expressed by the councils.

The common themes that emerge, very consistently, among the councils’ community values are:

- Sustainability / environment
- Local economy
- People and places
- Leadership, governance and democracy
- Services

All of these elements of community vision are expressed differently however the underlying commonality is evident.

Corporate Values

Similarly, the two councils with accessible *corporate* values share some commonality in their key messages.

The common elements are:

- Responsiveness
- Transparency
- Innovation

- Consultation/Communication
- Accountability

It would be fair to say that these are relatively common corporate values in any case.

Council policies

A desktop review of the policy registers of the councils highlights some interesting differences in the issues that have been given priorities (at some point in time) by the different councils. A couple of policies or focuses that stand out are:

- Marrickville has a Business with Burma Policy
- Leichhardt's purchasing policies include a Memorandum of Understanding with the Labor Council
- Leichhardt features both a public art policy and a Fair Trade Community Policy
- Marrickville has a clear arts and culture focus through a Cultural Policy, Arts Grants and Artist Exchange Policies
- Marrickville and City of Canada Bay have a strong focus on community engagement through the use of Citizen's Panels
- Leichhardt has a strong continuous improvement culture through its "Living within our means" program
- Ashfield has both a Culturally Diverse Society Principles Policy and a Recognition of Aboriginal Community Policy
- Marrickville has a strongly statement commitment to its LGBTIQ community

While we recognise policies change and reflect a position at a particular time they also reflect the organisational culture which is tasked with implementing them.

Size of councils

Organisational size can impact on culture in a range of ways, such as diversity of skills and workforce characteristics, level of specialisation vs multifunctional roles, capacity to undertake a greater range of functions and services, and partnership and advocacy capacity with other levels of government.

In the Inner West, a council such as Strathfield which has a very small size workforce, is considerably more constrained in its strategic capacity than a council the size of, say, Canada Bay, which has the size and capacity for greater specialisation of roles, diversity of functions and services, and detailed strategic planning down to a smaller precinct level.

In any merger there is likely to be a sense from the smaller councils that larger councils are taking over.

At present, a number of the councils in the Inner West are heavily and proactively engaged with the State Government on major infrastructure projects, such as WestConnex. This can change the focus of an organisation away from simple delivery of its own services, to a wider view of local governance and partnership in delivery of broader state and federal objectives.

5. SHARED SERVICES

The shared services scenario uses a theoretical design for shared services based on a concept originally put forward in the SSROC submission on Revitalising Local Government in March 2014. Based on our experience and taking into account the geography and nature of the councils the greatest opportunities for shared services exist in the following areas:

- Technical services
- Works
- Support services – HR, IT, Finance

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

A number of assumptions have been made in order to model the likely impact of shared services:

- All councils will participate and the manner in which the service is established will provide for certainty and longevity of the arrangements. If there is any uncertainty over the continued operation of the shared service this will hamper investment of resources (people, time and funds) in the processes and systems that will generate the efficiencies
- Similar employment protection provisions apply as apply to the merged council
- A shared services provider would be separate from the individual councils and be a service provider to all councils
- The introduction of the shared services is likely to be staged
- Each council retains a 'smart buyer capacity' to ensure that the services purchased from the shared services provider are appropriate and are analysed / tested. This is assumed to include some contract managers as well as technical capability but does not increase the overall staff numbers across the councils and the shared services entity
- It is acknowledged that more detailed work to review the skills and capability of existing staff (particularly in works and technical services) is required to determine the type and range of services and activities that could actually be delivered
- In order to achieve similar levels of cost efficiency in the support services, like the merger option, a transition to a single IT platform and systems would be required
- The shared services provider would be able to provide services beyond the six 'parent' councils
- All costs and benefits arising from the establishment and operation of a shared services model would be borne by the six councils collectively, regardless of the mode chosen for implementation

The governance and management of the shared services unit will be critical to success. As a service provider to the councils it will be need both the technical and managerial capability to provide a high quality service to six different clients.

While our view is that the benefits are of a similar scale to that which could be achieved under a merger (within the relevant service areas) achieving the efficiencies is likely to be much more difficult as instead of a single organisation having a shared focus there will be seven entities within the arrangement.

There is also a mixed track record with implementing shared services in particular in NSW and Australia where well known examples at state level have failed to deliver the expected savings

(e.g. Business Link). In contrast there are shared services models in other jurisdictions such as New Zealand where shared infrastructure services models operate (e.g. Capacity Infrastructure Services, Nelson/Tasman Regional Sewerage Business Unit and Manawatu/Rangitikei Shared infrastructure Services).

The table below sets out the likely estimated costs and benefits arising from shared services¹⁷. We have grouped the technical services and works together and dealt with support services separately. This highlights the impact the significant establishment costs associated with a shared support service has. The costs of establishing a shared service for works and technical services is quickly recovered. In contrast the costs of a support shared service take a much longer period to be recovered.

Table 30 - Estimated costs and benefits from shared services

Shared Services ('\$000)	Total Costs/Benefits (1 – 3 years)	Total Costs/Benefits (4 – 5 years)	Total Costs/Benefits (5-10 years)	Total savings/cost 10 years
Tech Services and Works	\$8,732	\$27,026	\$83,750	\$119,508
Support Services	-\$73,000	\$17,200	\$93,000	\$37,200
Total	-\$64,268	\$44,226	\$176,750	\$156,708

¹⁷ Refer to Appendix C for assumptions regarding costs and benefits of the merger scenario. Appropriate costs and benefits have been scaled as appropriate to the shared services model.

6. CONCLUSIONS

Fit for the Future requires councils to consider a small group of indicators that focus on assets and financial sustainability. It also requires councils to consider the merits of potential mergers through the same series of asset and financially focussed indicators. The councils of the inner west have, quite rightly in our view, looked at a wider series of indicators including the impact on representation and rates in order to understand what option provides the best outcome for their communities.

When considering such a wide range of information each council and community will, again quite rightly in our view, determine the relative weight that should be apportioned to each piece of information or indicator. This report does not reach an overall view as to whether an option or options provides the best outcome for any of the councils.

6.1 Status quo

The government has made it clear that the starting point for every council is scale and capacity. The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west councils. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

The table below provides a summary of the councils' performance against the benchmarks.

6.2 Modified status quo

In order to meet the Fit for the Future benchmarks each of the councils requires an increase in revenue and/or a decrease in costs to address both an operating deficit (as judged against the Operating Performance Ratio criteria) and short and longer term infrastructure issues.

Some of the councils have begun this process through Special Rate Variations (Burwood – approved, Ashfield and Marrickville intended) while others have undertaken internal programs of efficiency review. The City of Canada Bay involved a Citizen Panel process to review levels of service to identify savings opportunities and revenue raising opportunities.

. In all cases the funding gap identified in this report is not considered to be so large that it cannot be addressed by the councils through a combination of increased revenue and reduced costs. The table below identifies the extent of the funding gap to address the infrastructure benchmarks including bringing the infrastructure backlog to the benchmark of 2% within five years. After that the funding gap diminishes for each council.

Table 31 Summary of infrastructure funding gap

Council	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Ashfield	\$2,625	\$1,960
Burwood	\$3,511	-\$64
City of Canada Bay	\$3,129	\$1,252
Leichhardt	\$5,053	\$2,751
Marrickville	\$8,439	\$4,921
Strathfield	\$1,762	\$1,393

The table below identifies the average annual gap between operating revenue and operating expenditure (as per the Operating Performance ratio guidelines) over the time period within each council's LTFP. Each council will also need to address this in order to meet the benchmark.

Table 32 Operating performance funding gap

Council	Average gap
Ashfield	\$0
Burwood	\$.2M
City of Canada Bay	\$0
Leichhardt	\$0
Marrickville	\$0
Strathfield	\$2.8M

The process undertaken during this project identified a range of areas in which the councils can work together either through a shared services model as set out in this report or through some other collaborative working or procurement arrangement.

Even if the additional expenditure requirements set out above are achieved and a council meets all the Fit for the Future benchmarks, which logic would dictate means that scale and capacity has therefore been met, a council will still need to address the Government's starting point of scale and capacity first. The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

6.3 Inner west council

6.3.1 Scale and capacity

The independent panel recommendation was for a merger of the six councils of the inner west. Under the Fit for the Future reforms this means that the creation of an inner west council would satisfy the scale and capacity test.

There are multiple merger options in the inner west which will satisfy what appears to be the scale requirement of a population of 250,000 (based on the average size of council's not proposed for merger) by 2031 and would likely satisfy the criteria by which capacity is judged.

6.3.2 Fit for the Future benchmarks

The merged inner west council is the sum of its parts. This means that the debt service and own source revenue ratios are exceeded from day one and remain above the benchmarks throughout the period being modelled. This also means that while some efficiency benefits have been modelled in arising through the merger, the asset focus of the Fit for the Future benchmarks means that like the individual councils, the inner west council does not meet the asset related benchmarks. A funding gap in order to address the asset maintenance, asset renewal and infrastructure backlog ratios exists which is set out in the table below.

Table 33 Merged council asset funding gap

Council	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Inner West Council	\$24,519	\$12,213

The significant transitional costs identified throughout this report mean the operating performance ratio is negative from day but improves to satisfy the benchmark during the period being modelled.

The table below summarised the merged council performance against the benchmarks.

Indicator	At Day One	Over Modelling Period
Operating Performance	Doesn't meet benchmark	Improves over time and meets the benchmark
Own Source Revenue	Already exceeds benchmark	Continues to exceed benchmark
Debt Service Cover	Already exceeds benchmark	Continues to exceed benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark during modelling period
Asset Renewal	Meets benchmark at commencement	Declines until falling below benchmark by 2018
Infrastructure Backlog	Doesn't meet benchmark	Doesn't meet benchmark

Real Operating Expenditure	Not applicable	Meets the benchmark
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6.3.3 Debt

The debt levels of the councils of the inner west are low. All councils are well below the debt service ratio and the same is true for the merged council. Typically, the consolidation of debt in a merger can be a community issue as a community with little or no debt may perceive as unfair having to repay debt that 'belongs' to other communities and other community's assets. While debt levels are low there are still differences and most notable between the councils who have little or no debt (Strathfield and City of Canada bay) and those who have more moderate debt levels such as Marrickville, Leichhardt and Burwood.

6.3.4 Rates

Modelling the changes in rates in a merger is very difficult to do with any degree of accuracy. Presently there are a number of significant differences in the rating systems of the councils which impact on the rates charged to an individual property. The key examples are that some have base rates and others a minimum rate as well as large variations in the proportion of rates borne by business and residential rate payers. For example in Canada Bay businesses bear 14% of the rates whereas in Marrickville that proportion rises to 40%. Currently Leichhardt has the highest average residential (\$1,199) and business rates (\$7,051). In comparison Marrickville has the lowest average residential rate (\$855) and City of Canada Bay the lowest average business rate (\$2,822).

A merged council would ultimately set a single rating system across the inner west and regardless of the approach there would be some properties where rates would rise and others where rates would reduce. A key driver for this would be land value and residents with comparatively high value properties would bear a higher proportion of the rates.

Changes to the average business and average residential rates are modelled using an entirely ad valorem and then a base rate scenario to represent a range of potential impacts that could be expected.

Under a merger of the inner west the average residential rate would increase in Leichhardt, City of Canada Bay and Strathfield under an entirely ad valorem system where land value is the sole determinant. Average residential rates would reduce in all other areas. The introduction of a base rate changes the council areas affected and the average residential rate would rise in City of Canada Bay, Marrickville and Strathfield. Under both scenarios the average business rate would reduce in both Leichhardt and Marrickville while increasing in all other council areas.

6.3.5 Environmental

The comparison of the Community Strategic Plans highlighted the environment as a common theme across all the councils. While the review of the LEPs of the councils identified some different approaches and differing levels of relative importance for the natural and built environment, this is within the context of communities that all appear to place a high value on the environment and the sustainable use of the natural environment.

As a result the environmental indicators selected do not in our view demonstrate any significant differences between the merged council and the individual councils.

6.3.6 Representation

Perhaps the single biggest negative impact from the merger of the inner west is on representation. The number of people represented by each councillor will increase significantly making it more difficult for residents to access their councillors and the council. Based on the current maximum of 15 councillors each of those would represent 22,000 residents which does not compare favourably to a little under 4,700 in Leichhardt currently.

While measures can be put in place to address a loss of representation through local or community boards at present the government has not set out in detail any proposal that the community could consider.

6.3.7 Community profile and communities of interest

The inner west is characterised by both similarities and differences. The communities of the inner west have a higher levels of education, are more multicultural than greater Sydney and combined together has a relatively high level of employment containment. There is also a common dependence and connection to the City of Sydney.

However there are also a number of differences. Strathfield's population density is significantly lower than the other areas and much closer to the areas to its west such as Parramatta, Auburn and Holroyd. Burwood has a higher level of socioeconomic disadvantage and the factors that make this up including lower household income whereas City of Canada Bay and Leichhardt are in the highest wealth cluster of council areas in NSW¹⁸.

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

6.3.8 Costs and benefits of the merger

The costs and benefits of the merger arise throughout the period being modelled. The costs and benefits should not be considered in isolation. They only form part of the information on which a decision should be made and in particular they should be considered in conjunction with the infrastructure funding gap identified above.

Initially in the transition from six councils into one there are costs associated with creating the single entity (structure, process, policies, systems and branding), costs continue to arise through redundancies of senior staff and the implementation of a single IT system across the new council which has significant cost implications. Costs of the merger continue to arise in the medium and longer term largely from redundancy costs (one off) but increasingly from an overall increase in staff numbers which is typical of merged councils and considered to arise as a result of increased services and service levels.

Benefits initially arise in the short through the reduction in the number of senior staff and Councillors required in comparison to the six councils combined. Natural attrition is initially applied meaning that overall staff numbers fall in the short term. Savings are also projected to arise in relation to procurement and operational expenditure due to the size and increased capacity of the larger council. In the medium and longer term benefits arise through reducing the overall staff numbers with a focus on removing the duplication of roles and creating greater

¹⁸ National Institute of Economic and Industry Research, New South Wales Local Government Areas: Similarities and Differences, March 2013

efficiency in operations, outsourcing waste collection to a single regional contract and the rationalisation of buildings and plant (one off).

The NPV of the costs and benefits over the period being modelled (2023¹⁹) has been calculated and set out below.

Table 34 Summary of costs and benefits

NPV at 4%	NPV at 7%	NPV at 10%
\$173 million	\$143 million	\$119 million

6.3.9 Risks arising from merger

There are significant potential risks arising from the merger both in a financial and non-financial sense. The obvious financial risks are that the transitional costs may be more significant than set out in the business case or that the efficiencies projected in the business case are not delivered. The business case is high level and implementation costs and attaining the benefits will be difficult to achieve.

If, for example, the council chooses not to follow through with the projected efficiencies, this will affect the financial viability of the merged council. Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

Careful consideration of the issue of cultural integration will be required and the most consistent remedy to these particular risks is in our view strong and consistent leadership. Corporate culture misalignment during the post-merger integration phase often means the employees will dig in, form cliques, and protect the old culture. In addition to decreased morale and an increased staff turnover rate, culture misalignment reduces business performance. It also prolongs the time it takes for the predicted efficiencies to be achieved.

The integration of services with differing service levels often leads to standardising those service levels at the highest level of those services that are being integrated. This is quite often a response to a natural desire to deliver the best possible services to communities as well as the need to balance service levels to community expectations across the whole area. However it does pose the risk of increased delivery costs and/or lost savings opportunities. Similarly, introducing services that are not currently delivered in one or more of the former council areas to the whole of the new council area will incur additional costs.

¹⁹ 2023 is the period being modelled to match the time covered by all Council LTFPs

APPENDIX A Fit For The Future Benchmarks²⁰

Operating Performance Ratio

*Total continuing operating revenue (exc. capital grants and contributions)
less operating expenses*

Total continuing operating revenue (exc. capital grants and contributions)

Description and Rationale for Criteria:

TCorp in their review of financial sustainability of local government found that operating performance was a core measure of financial sustainability.

Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.

Operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements.

Description and Rationale for Benchmark:

TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a 3 year period.

Own Source Revenue Ratio

Total continuing operating revenue less all grants and contributions

Total continuing operating revenue inclusive of capital grants and contributions

Description and Rationale for Criteria:

Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.

Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.

²⁰ Office of Local Government Fit for the Future Self-Assessment Tool

Description and Rationale for Benchmark:

TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.

It is acknowledged that many councils have limited options in terms of increasing its own source revenue, especially in rural areas. However, 60 per cent is considered the lowest level at which councils have the flexibility necessary to manage external shocks and challenges.

Debt Service Ratio

$$\frac{\text{Cost of debt service (interest expense \& principal repayments)}}{\text{Total continuing operating revenue (exc. capital grants and contributions)}}$$

Description and Rationale for Criteria:

Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.

Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.

Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.

Council's effectiveness in this area is measured by the Debt Service Ratio.

Description and Rationale for Benchmark:

As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than 0 and less than or equal to 20 per cent.

Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

Asset Maintenance Ratio

$$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$$

Description and Rationale for Criteria:

The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.

The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

Description and Rationale for Benchmark:

The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.

Given that a ratio of greater than one hundred percent is adopted, to recognise that maintenance expenditure is sometimes lumpy and can be lagged, performance is averaged over three years.

Building and Infrastructure Renewal Ratio

$$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$$

Description and Rationale for Criteria:

The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.

This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

Given that a ratio of greater than one hundred percent is adopted, to recognise that capital expenditures are sometimes lumpy and can be lagged, performance is averaged over three years.

Infrastructure Backlog Ratio

$$\frac{\text{Estimated cost to bring assets to a satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets}}$$

Description and Rationale for Criteria:

The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.

It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.

This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.

TCorp adopted a benchmark of less than 2 per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

Reduction in Real Operating Expenditure

Description and Rationale for Criteria:

At the outset it is acknowledged the difficulty in measuring public sector efficiency. This is because there is a range of difficulty in reliably and accurately measuring output.

The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.

It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively Councils:

- can realise natural efficiencies as population increases (through lower average cost of service delivery and representation); and
- can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).

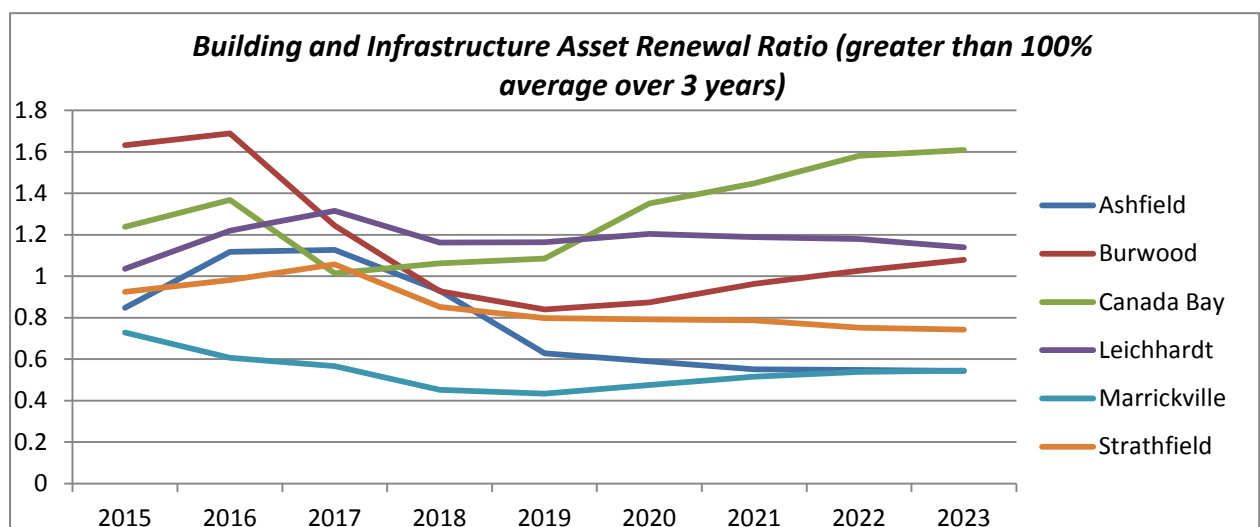
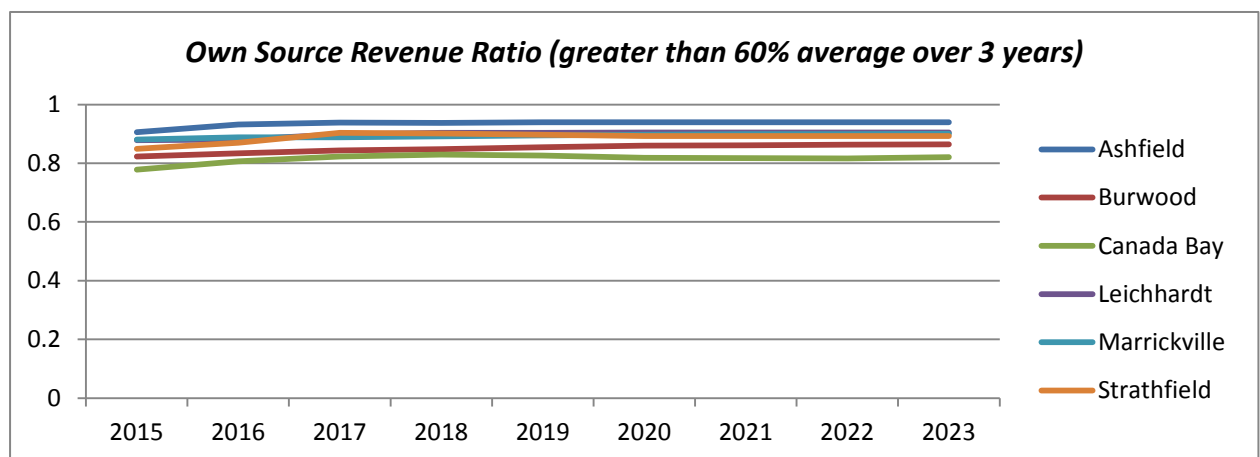
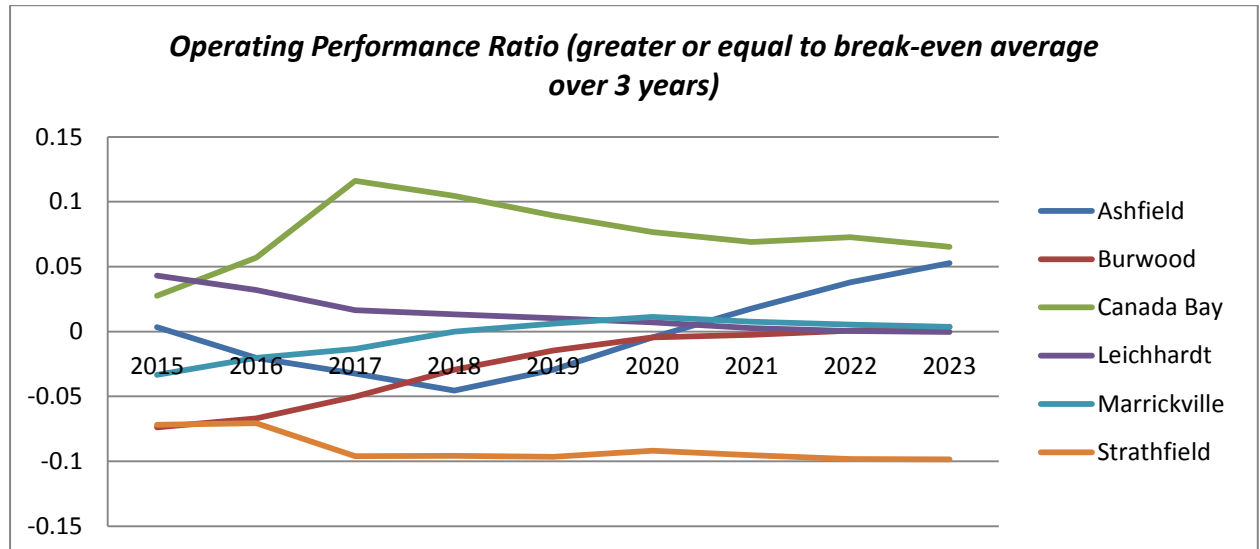
Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).

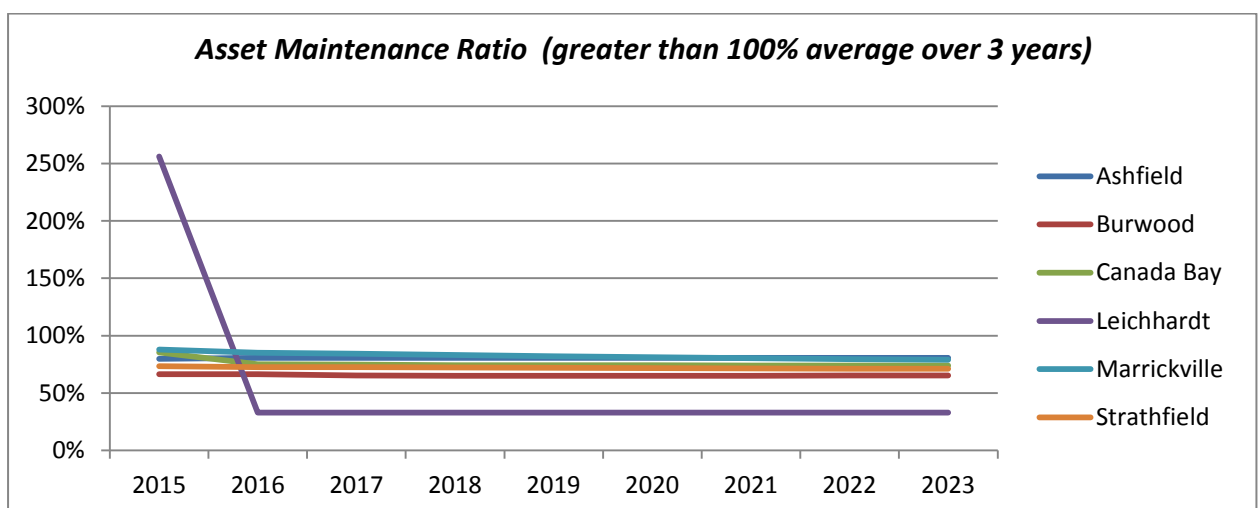
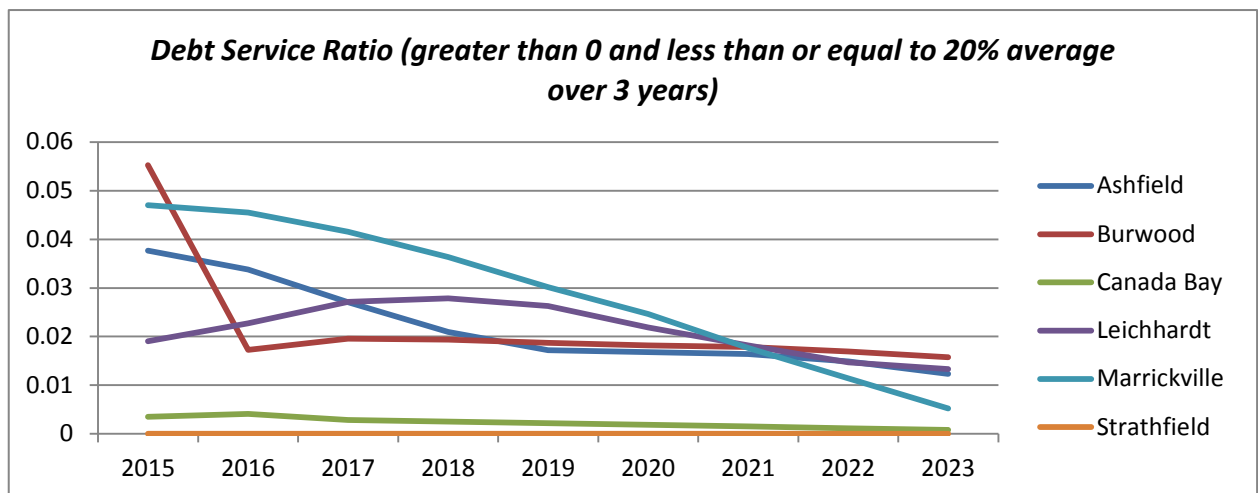
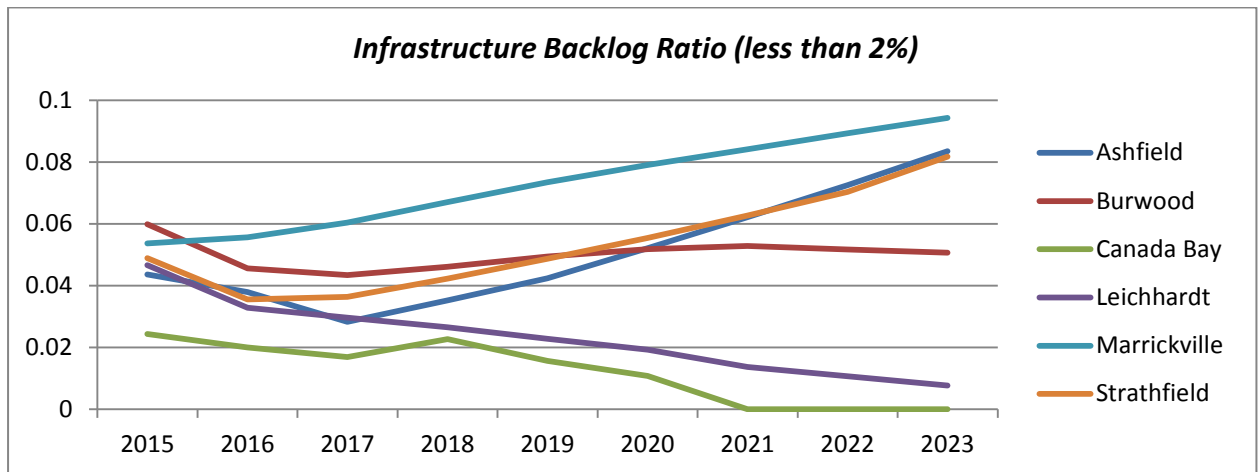
Description and Rationale for Benchmark:

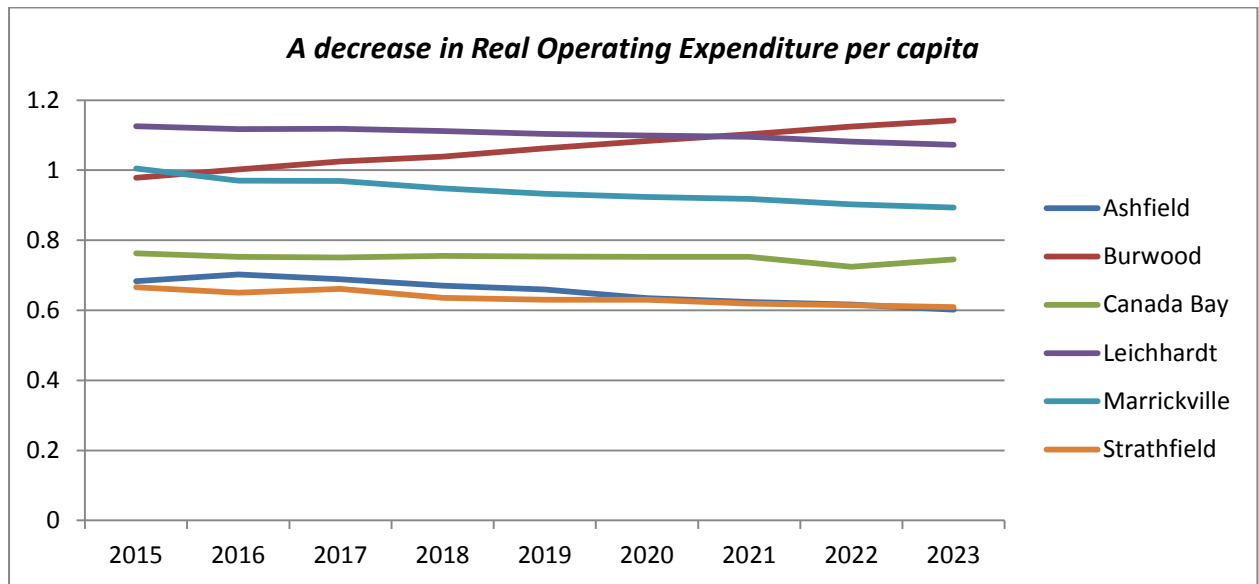
The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by the Independent Pricing and Regulatory Tribunal (IPART). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community, in the context of their development of their Integrated Planning and Reporting.

Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a 5-year trend.

APPENDIX B Combined Status Quo Assessment against the Fit for the Future Benchmarks







APPENDIX C Costs and benefits arising from a merger of the inner west – detailed assumptions

Costs and benefits identified below form the basis of the modelling referred to throughout the report.

Assumptions have been made using the best available information including analysis of various reports on and estimates of merger costs in other similar situations. This has been supplemented with professional opinion of Morrison Low staff based on experience including with the Auckland Transition Authority.

Costs are one off unless stated otherwise whereas benefits continue to accrue each year unless stated otherwise.

1 Governance and executive team

The formation of a new entity is likely to result in some efficiencies resulting from a new governance model and rationalisation of the existing executive management teams. For the purposes of this review the governance category includes the costs associated with elected members, council committees and related democratic services and processes, and the executive team.

The table below summarises the expected efficiencies together with the associated timing for governance.

	Staff	Duplicated Services	Elected Members	On Costs
Transition Period	Nil	Nil	Nil	Nil
Short Term (1 to 3 years)	Streamlined Management (General Managers and Directors) Sinking Lid (voluntary)	General Managers, Directors, Mayoral/CEO support Council/Committee Secretarial Support	Reduced councillors and remuneration	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management and staff Sinking Lid (voluntary)			Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)				

1.1 Governance (\$1.1 million)

The formation on a new entity is expected to result in efficiencies resulting from a new governance model and a reduction in the number of existing Mayors and Councillors. However, this will depend directly on the adopted governance structure including the number of councillors. Estimated governance costs for the new entity have been based on the Mayoral and Councillor fees and expenses of Blacktown City Council as reported in the Annual Report 2014 since the new entity is of a similar size and population to Blacktown.

The formation on a new entity is expected to result in efficiencies resulting from a new governance model and a reduction in the number of existing Mayors and Councillors. However, this will depend directly on the adopted governance structure including the number of councillors. Estimated governance costs for the new entity have been based on the Lord Mayor and Councillor fees and expenses of the City of Sydney as reported in the Annual Report 2014. The Independent Review Panel has envisaged a full time Mayor and there will be higher costs associated with such a role than the current Mayor and Councillors of the inner west receive. It is assumed that there would be 14 Councillors and a Mayor.

The total governance costs across the councils is \$2.2 million based on the respective councils Annual Reports 2013/14 and based on the City of Sydney governance costs (Lord Mayoral Annual fee, councillors fees and expenses incurred), there is the potential ongoing efficiency of \$1.1 million.

1.2 Executive management (\$3.8 million)

The formation of a single entity is likely to result in efficiencies due to an overall rationalisation in the total number of executive managers required at the Tier 1 (General Managers) and Tier 2 (Directors). Revised remuneration packages for the new General Manager and Directors for the new entity have been informed and assumed to be similar to that of the Blacktown City Council executive remuneration packages since Blacktown is of a similar size and scale to that of the proposed new entity.

The General Managers total remuneration for the councils was \$1.67 million, based on the Councils' respective Annual Reports 2013/14, and the amalgamation to a single entity with a single General Manager has the potential saving of approximately \$1.3 million.

In addition there would be a rationalisation of the existing director positions, based on the Annual Reports there are 17 such positions across the councils with a combined remuneration of \$3.8 million based on the Annual Reports 2013/14. Assuming that the new entity has five director positions, the estimated savings are in the order of \$2.5 million.

It is important to note that while ongoing efficiencies of \$3.8 million have been identified effective from the short term, there is the one off cost of redundancies of approximately \$2.7 million that in our experience is a cost incurred during the transition period. This redundancy cost is based on 38 weeks.

1.3 Rationalisation of services

Under a single entity a number of the existing governance services would be duplicated and there would be an opportunity to investigate rationalising resourcing requirements for a single entity and realise efficiencies in the medium term.

As an example the councils currently have the resources necessary to support the democratic services and processes including council and committee agendas and minutes. Under a new entity there is likely to be a duplication of democratic resources and the new entity would need to determine the number of resources required to deliver this service.

Based on our previous experience one would expect resource efficiencies of between 40 and 60%. The reduction in resources is only likely to occur in the medium term due to the form of employment contracts, however having said that there is the potential not to replace positions vacated in the short term if they are considered to be duplicate positions under the new entity

(natural attrition policy). The expected efficiencies relative to this area are realised in the Corporate Services Section.

2 Corporate services

In the formation of a new entity there is likely to be a reduction in staffing numbers across the corporate services in the medium term. The corporate services incorporates most of the organisational and corporate activities such as finance and accounting, human resources, communication, information technology, legal services, procurement, risk management, and records and archive management. Across the six councils there is likely to be some element of duplication so there should be efficiency opportunities as it relates to administrative processes and staffing levels.

The potential opportunities for efficiency within the corporate services category are summarised in the table below along with the indicative timing of when the efficiency is likely to materialise.

	Staff	Duplicated Services	Contract/ Procurement	Information Technology	On Costs
Transition Period	Sinking Lid (voluntary)	Finance ICT Communication s			
Short Term (1 to 3 years)	Sinking Lid (voluntary)	Human Resources Records Customer Services			Staff Associated Costs e.g. HR, Accommodation Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management (Tier 3) Sinking Lid (voluntary)	Risk Management			Staff Associated Costs e.g. HR, Accommodation Computers, Vehicles
Long Term (5 years plus)					

2.1 Rationalisation of duplicate services (\$6 million)

Consistent with the dis-establishment of six councils and the creation of a single entity, there are a number of back office duplicated services that would be replaced, standardised and simplified. The rationalisation and streamlining of back office services means that there would an opportunity to rationalise financial reporting, business systems, administrative processes and staff numbers. Examples for the rationalisation of corporate services include:

- Finance - A reduction in finance service costs with the rationalisation of financial reporting and financial planning with a single, rather than six Resourcing Strategies, Long Term Financial Plans, Asset Management Strategies, Workforce Management Plans , Annual Plans and Annual Reports needing to be prepared, consulted on and printed. In addition the centralisation of rates, accounts receivable, accounts payable and payroll, including finance systems will reduce resourcing requirements and costs.
- Human Resources (HR) – The size of the HR resource would be commensurate with the number of FTEs in the new entity based on industry benchmarks. The number of HR resources would be expected to reduce proportionately to the reduction in organisational staff numbers.
- Communications – The resourcing would be expected to reduce since there would be a single website and a more integrated approach to communication with less external reporting requirements.

- Customer Services – No reduction in the ‘front of house’ customer services has been assumed on the basis that all existing customer service centres would remain operative under a single entity and the existing levels of service would be retained. However there is potential to reduce the number of resources in the ‘back office’ such as the staffing of the call centre.

The potential efficiency in the corporate services category is difficult to determine largely due to the fact that ICT accounts for a large cost through the transition into the new entity both in terms of resources and actual cost. However it is expected that ICT would be implemented in the medium term and due to existing employment contracts, the corporate service efficiencies would therefore only be realised in the medium term. The assumption underpinning the efficiency for corporate services is a 35%²¹ reduction in corporate support personnel that has an estimated saving of \$6 million. On costs are considered to be included as the figure used are based on total employee costs as reported by the councils.

There is the potential to reduce FTE numbers in the short term through not replacing positions vacated if they are considered to be duplicate positions through the transition and under the new entity (natural attrition policy). Following the end of the natural attrition period redundancies would be applied to reduce staffing levels as per above.

In order to achieve the opportunities identified would require detailed scoping, investigation and ownership to ensure that they are implemented and realised post amalgamation. The development of a benefit realisation plan would quantify the cost of implementing any identified efficiencies and establish when such efficiencies are likely to accrue.

Redundancy costs have been modelled based on an average of 26 weeks²²

3 Areas for further efficiency

Based on the experience from previous amalgamations in local government there are other areas where we would expect there to be opportunity to achieve efficiencies. These areas include management, staff turnover, procurement, business processes, property / accommodation, waste and works units.

	Staff	Duplicated Services	Contract/ Procurement	Information Technology	On Costs
Transition Period					
Short Term (1 to 3 years)	Staff Turnover	Property/ Accommodation, Works Units	Printing, stationary, ICT systems/ licences, legal	ICT Benefits	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management (Tier 3 & 4)	ICT Resourcing	Waste	ICT Benefits	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)					

²¹ Securing Efficiencies from the Reorganisation of Local Governance in Auckland, Taylor Duigan Barry Ltd, October 2010

²² The Local Government (State) Award provides a sliding scale for redundancy pay-outs from 0 for less than 1 year, 19 weeks for 5 years and 34 weeks for 10years. An average of 26 weeks has therefore been used throughout.

3.1 Management tier 3 and 4 (\$9.3 million)

The Auckland amalgamation resulted in an FTE reduction of almost 60%² across the total Tier 1 through to Tier 4 positions. While Section 1 addresses the Tier 1 and Tier 2 efficiencies, there is further opportunity for efficiencies in regard to the Tier 3 and Tier 4 managerial positions although these would only be realised in the medium term.

The extent of efficiencies for Tier 3 and Tier 4 is directly dependent on the organisational structure of the new entity, types of services and the manner in which these services are to be delivered in the future, i.e. delivered internally or contracted out. On the basis that six councils are being disestablished and a single entity created, the assumption is that there will be at least a 15% reduction across the existing Tier 3 and Tier 4 positions achieving an ongoing efficiency of \$9.3 million on remuneration and on costs.

Following the end of the natural attrition period redundancies would be applied to reduce staffing levels outlined above

3.2 Staff Turnover (\$5.85 million)

The industry average staff turnover is approximately 9% and on the basis that the new entity adopts a 'natural attrition' policy not to fill positions in the short term, there is an estimated annual efficiency of \$5.85 million on staff remuneration. It is assumed that core and front line positions would be replaced where necessary meaning an overall reduction in staff of 4.5% per annum.

3.3 ICT Benefits (\$10 million)

Without a full investigation into the current state of the six councils ICT infrastructure and systems, and without an understanding of the future state the ICT benefits cannot be quantified at this stage. However benefits would include improved customer experience, operational cost saving and reduced capital expenditure, higher quality of IT service and increased resilience of service provision. It is also necessary to model a value for the benefits to balance the costs that have been allowed for in the transition.

The operational cost savings and reduction of capital expenditure would be as a direct result of rationalising the number of IT systems, business applications, security and end user support from six Councils to a single entity. The cost of IT and the number of staff resources required to support it would be expected to decrease over time. FTEs are assumed to reduce by 40%¹ over time in line with reduced IT applications and systems. Without the ICT FTE remuneration for the six Councils, the 40% efficiency is unable to be determined at this time.

Through the work undertaken as part of the Wellington reorganisation, Stimpson and Co have undertaken a sensitivity analysis on the ICT costs for two options and based on an ICT cost of \$90 million have estimated the Net Present Value at \$200 million and payback period of five years. Without a detailed investigation of systems, processes and the future state of the IT system and support it is not considered possible to model the benefits as arising at a similar rate however to retain consistency with the estimated costs and the basis for them benefits have been modelled as arising over the long term and a rate of \$10M per annum.

Sensitivity Analysis

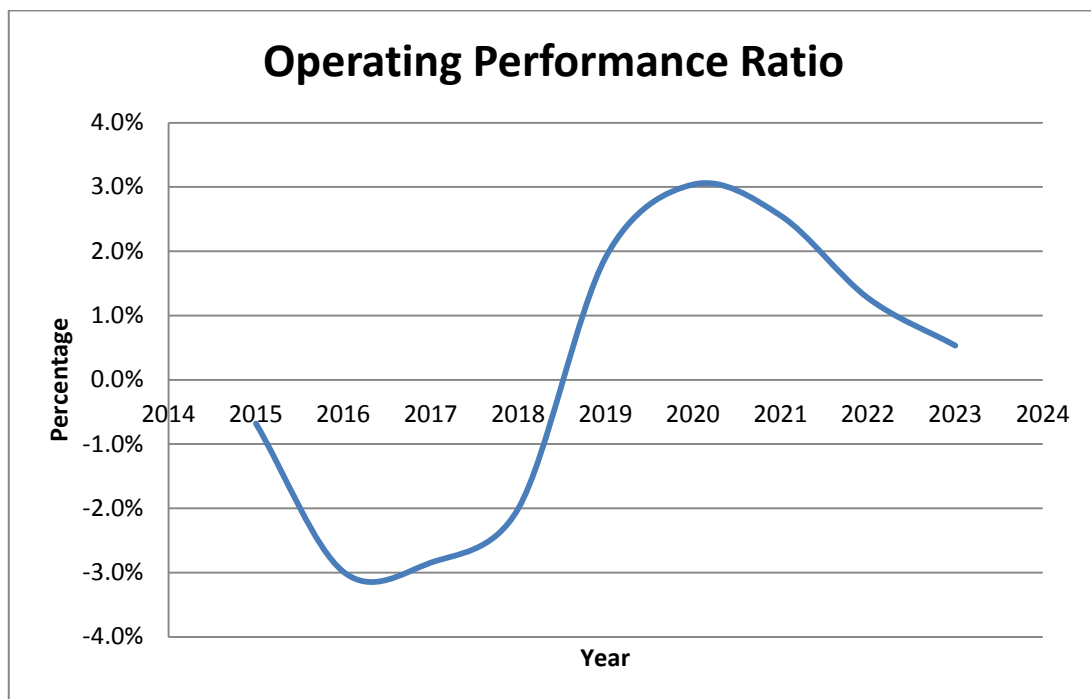
Due to the high level of uncertain associated with the realisation of IT benefits one additional scenario has been modelled to demonstrate the overall impact on the financial sustainability of the IT benefits being realised.

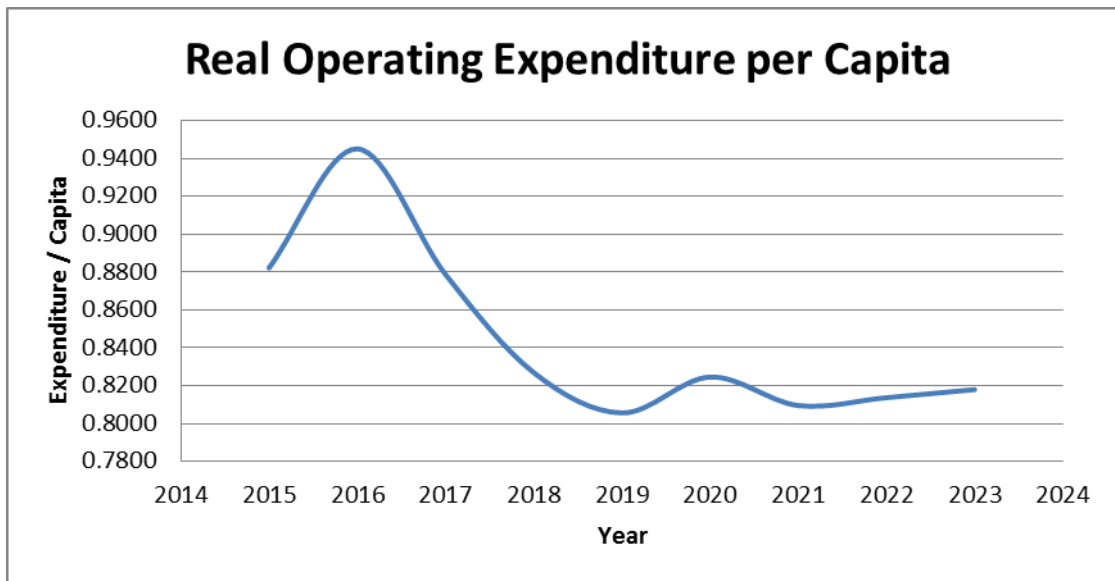
The impact on the merged council is set out by reference to the Operating Performance Ratio and a summary of the Financial Impacts.

Benefits at 50%

Realising only 50% of the IT benefits affects the merged council's operating performance by approximately \$5 million per annum from 2021 and real operating expenditure per capita.

While the graphs below demonstrate a profile similar to the 100% savings scenario, the impacts on the operating result from 2021 are marginally worse and in 2023 sees a negative operating result before grants and contributions for capital purposes.





Income Statement	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Source: Council Financial Statements and Long Term Financial Plan	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Rates & Annual Charges	210,210	220,688	236,493	243,588	250,895	258,422	263,788	271,702	276,633	284,932	293,480
User Fees & Charges	56,200	59,850	63,555	65,220	66,981	68,763	70,647	72,583	74,571	76,615	78,714
Grants & Contributions - Operations	27,874	22,262	28,237	27,779	28,418	29,072	29,740	30,425	31,124	31,840	32,572
Grants & Contributions for Capital	34,193	37,628	22,949	22,577	23,096	23,627	24,171	24,727	25,296	25,877	26,473
Interest and Investment Income	14,775	11,708	9,485	9,864	3,857	3,857	3,857	3,857	3,857	3,857	3,857
Gains from disposal assets	338	142	1,653	1,626	1,664	1,702	37,862	2,612	2,672	2,733	2,796
Other Income	31,590	31,385	27,617	27,169	27,794	28,433	29,087	29,756	30,441	31,141	31,857
Total Income	375,180	383,663	389,989	397,824	402,706	413,877	459,153	435,661	444,594	456,995	469,749
Income excl Gains\losses	374,842	383,521	388,336	396,198	401,042	412,175	421,291	433,049	441,922	454,262	466,953
Income excl Gains\losses & Capital Grants	340,649	345,893	365,387	373,621	377,946	388,548	397,120	408,322	416,626	428,385	440,480
Expenses											
Borrowing Costs	3,136	2,916	3,092	3,247	3,409	3,579	3,758	3,946	4,144	4,351	4,568
Employee Benefits	150,279	156,556	167,472	161,997	160,377	158,774	160,079	168,883	178,172	187,971	198,310
Gains & losses on disposal	734	63	-	-	-	-	-	-	-	-	-
Depreciation & Amortisation	49,000	47,306	50,709	52,460	54,222	54,553	56,231	57,960	59,743	61,581	63,475
All other Expenses	140,303	147,838	140,470	183,239	168,036	159,077	159,356	171,506	167,051	172,062	177,224
Total Expenses	343,452	354,679	361,743	400,943	386,045	375,983	379,424	402,295	409,110	425,966	443,577
Operating Result	31,728	28,984	28,246	- 3,119	16,661	37,894	79,729	33,366	35,484	31,030	26,172
Operating Result before grants & contributions for capital purposes	- 2,465	- 8,644	5,297	- 25,696	- 6,435	14,267	55,558	8,639	10,189	5,152	- 301

3.4 Materials and contracts (\$2 – \$3.4 million)

The opportunity for efficiencies in procurement is created through the consolidation of buying power and the ability to formalise and manage supplier relationships more effectively when moving from six councils to one. An estimate needs to take into account that the councils currently engage in some collective procurement including through SSROC shared and panel contracts but that the process also identified a large number of services contracted out by the councils which are not aligned or co-ordinated.

The increased scale and size of the infrastructure networks managed by the inner west council would in our view lead to opportunities to reduce operational expenditure through making better strategic decisions (as distinct from savings arising from procurement).

Based on the analysis during the project and our experience the combined savings have been modelled in the short term at 3% and rising to 5% over the medium and longer term.

3.5 Properties (\$29 million – one off)

There is an opportunity to rationalise and consolidate the property portfolio through assessing the property needs of the new entity and disposing of those properties no longer required for council purposes. The rationalisation of buildings in the first instance is likely to be corporate accommodation associated with the reduction in staff, other obvious areas would include the work depots (refer to Section 3.7).

The councils have a combined buildings portfolio of over \$530M and for the purposes of modelling the merged council it is assumed that the council would dispose of 5% of the building assets in the medium term. In the longer term savings in properties are achievable but should be carried out in a more strategic manner across the combined entity.

3.6 Waste (\$3.5 - \$8.1 million)

The six councils currently provide their waste collection services through different delivery models. Strathfield, Marrickville and Leichhardt are undertaking some or all of the waste collection services in-house whereas Canada Bay, Burwood and Ashfield outsource the collection of waste.

Waste collection is a high profile service and in our experience the service can be delivered at a lower cost under contract. Recent examples in metropolitan Sydney have demonstrated the scale of savings available by moving to collective contracts. The combined St George Council waste and recycling contract has generated savings in the order of \$4.6M per annum²³ from a smaller population base than the inner west (230,000 compared with 336,000 in the inner west).

It is assumed that the merged council will move to outsource the waste and recycling function under a single collection contract over time.

Savings have been modelled in two stages, the initial stage of moving to outsourcing all waste services and then moving to a single collection contract. Savings arising from moving to outsourcing the waste have, in the absence of detailed analysis of each council's service costs, been modelled using the differences between the respective councils domestic waste

²³ St George Regional Collection Contract, Presentation to Waste 2014 Conference, Major Projects Guidance for Local Government by Maddocks and Ernst and Young

charges²⁴. In this case the approach is considered reasonable as the councils have a similar level of service and the charge is considered to include all operational costs. The saving arising from outsourcing the collection services is assumed to be 60% of the difference between the average domestic waste charge of the councils who outsource all waste collection services and the current total domestic waste charge (\$3.5M).

Redundancy costs have again been modelled based on an average of 26 weeks with an assumption on the number of affected staff at Strathfield made based on the relative proportion of staff involved in waste services in the other councils.

Savings arising from a single collection contract have been conservatively modelled at the same level as the St George Contract (\$4.6M per annum) despite the larger population base of the inner west.

Waste services are funded through the waste charge which covers all operational expenditure on waste services. A reduction in the cost of the waste collection services therefore leads to a reduction in the waste charge and reduced income for the councils. It is assumed that 70% of the savings achieved are passed through in a reduced waste charge.

3.7 Works units

Staff (\$8.6 million)

Based on our experience of reviewing a large number of works units across NSW we have found significant savings in all organisations that we have reviewed. As such it is reasonable to assume that a reduction in staff in the order of 20% across the works areas will be easily achieved in the medium term to reflect the duplication of services across the depots.

Redundancy costs have been modelled for all works staff based on an average of 26 weeks with an assumption on the number of affected staff at Strathfield made based on proportion of staff affected in the other councils.

Following the end of the natural attrition period redundancies would be applied to reduce staffing levels outlined above

Plant and Fleet (\$6.6 million – one off)

Based on our experience of reviewing a large number of works units across NSW, most councils have significantly more plant and equipment than reasonably required to undertake their day to day functions. As such it is reasonable to assume that a reduction in plant and fleet in the order of 20% would be achievable should there be an amalgamation of councils.

4 Services and Service Levels (\$2.6 million)

Typically merged councils see an increase in staff associated with rises in services and service levels. Research conducted for the Independent Review Panel noted that each of the councils involved in the 2004 NSW mergers had more staff after the merger than the combined councils together²⁵ and an average over the period of 2002/3 to 2010/11 of 11.7%.

²⁴ Financial Statements of each council

²⁵ Assessing processes and outcomes of the 2004 Local Government Boundary Changes in NSW, Jeff Tate Consulting

An allowance has been made for a 2% increase in staff from year 4 onwards (i.e. after the period of natural attrition)

5 Transition costs

The formation of the new entity from the current state of six councils in the inner west to one will require a transition to ensure that the new entity is able to function on Day 1. This section identifies tasks to be undertaken and estimates transitional costs that are benchmarked against the Auckland Transition Agency (ATA) results and the costs as estimated by Stimpson & Co.²⁶ for the proposed Wellington reorganisation.

In the transition to an amalgamated entity there are a number of tasks that need to be undertaken to ensure that the new entity is able to function from Day 1 with minimal disruption to customers and staff. The types of tasks and objectives are summarised in the table below.

Governance	<ul style="list-style-type: none"> Developing democratic structures (council committees) Establishing the systems and processes to service and support the democratic structure Developing the governance procedures and corporate policy and procedures underlying elected member and staff delegations Developing the organisational structure of the new organisation
Workforce	<ul style="list-style-type: none"> Developing the workforce-related change management process including new employment contracts, location and harmonisation of wages Establishing the Human Resource capacity for the new entity and ensuring all policies, processes and systems are in place for Day 1 Ensuring that positions required
Finance and Treasury	<ul style="list-style-type: none"> Ensuring that the new entity is able to generate the revenue it needs to operate Ensuring that the new entity is able to satisfy any borrowing requirements Ensuring the new entity is able to procure goods and services Developing a methodology for interim rates billing and a strategy for rates harmonisation Developing a plan for continued statutory and management reporting requirements Developing a financial framework that complies with legislative requirements
Business Process	<ul style="list-style-type: none"> Planning and managing the integration and harmonisation of business processes and systems for Day 1 including customer call centres, financial systems, telephony systems, office infrastructure and software, payroll, consent processing etc. Developing an initial ICT strategy to support the Day 1 operating environment that includes the identification of those processes and systems that require change Developing a longer term ICT strategy that provides a roadmap for the future integration and harmonisation of business processes and systems beyond Day 1
Communications	<ul style="list-style-type: none"> Ensuring that appropriate communication strategies and processes are in place for the new entity Developing a communication plan for the transition period that identifies the approach to internal and external communication to ensure that staff and customers are kept informed during the transition period
Legal	<ul style="list-style-type: none"> Ensuring any legal risks are identified and managed for the new entity

²⁶ Report to Local Government Commission on Wellington Reorganisation Transition Costs, Stimpson & Co., 28 November 2014

	<ul style="list-style-type: none"> Ensuring that existing assets, contracts etc. are transferred to the new entity Ensuring all litigation, claims and liabilities relevant to the new entity are identified and managed
Property and Assets	<ul style="list-style-type: none"> Ensuring that all property, assets and facilities are retained by the new entity and are appropriately managed and maintained Ensuring the ongoing delivery of property related and asset maintenance services are not adversely impacted on by the reorganisation Facilitating the relocation of staff accommodation requirements as required for Day 1
Planning Services	<ul style="list-style-type: none"> Ensuring the new entity is able to meet its statutory planning obligations from Day 1 and beyond Ensuring that the entity is able to operate efficiently and staff and customers understand the planning environment from Day 1 Developing a plan to address the statutory planning requirements beyond Day 1
Regulatory Services	<ul style="list-style-type: none"> Ensuring that Day 1 regulatory requirements and processes including consenting, licensing and enforcement activities under statute are in place Ensuring that business as usual is able to continue with minimum impact to customers from Day 1 and beyond
Customer Services	<ul style="list-style-type: none"> Ensuring no reduction of the customer interaction element – either face to face, by phone, e-mail or in writing from Day 1 and beyond Ensuring no customer service system failures on Day 1 and beyond Ensuring that staff and customers are well informed for Day 1 and beyond
Community Services	<ul style="list-style-type: none"> Ensuring that the new entity continues to provide community services and facilities Ensuring that current community service grant and funding recipients have certainty of funding during the short term

Note - This is not an exhaustive list but provides an indication of the type of work that needs to be undertaken during the transition period.

The transition costs are those costs incurred, during the period of transition, to enable the establishment of the new entity and to ensure that it is able to function on Day 1. The estimated transition costs for establishment of a new entity are discussed below.

5.1 Transition body (\$11.5 million)

In the case of Auckland, the ATA was established to undertake the transition from nine councils to one entity. In order to undertake the transition the ATA employed staff and contractors and it had other operational costs such as rented accommodation, ICT and communications. The cost of the ATA in 2009 was reported at \$36 million and it is important to note that a substantial number of staff were seconded to the ATA from the existing councils to assist with undertaking the transition tasks. The cost of these secondments and support costs was at the cost of the existing councils and not the ATA.

The work undertaken for the reorganisation of Wellington identified the cost of the transition body as \$20.6 million⁴ and on the assumption of FTEs to transition body costs for Wellington, the estimated cost of the transition body for the Inner West is \$11.5 million. This figure may be understated and is dependent on the governance structure adopted and other unknown factors that may influence the cost of the transition body. The cost of staff secondment and support costs from existing councils to the transition body is not included in the cost estimate.

5.2 ICT (\$55 to \$80 million)

The costs associated with ICT for the new entity relate to rationalising the six existing councils ICT infrastructure, business applications, security and end user support for the single entity. The full rationalisation of IT systems based on other amalgamation experience will not occur for Day 1 of the new entity and could take anywhere between three to five years to finalise depending on the complexities of the preferred system. However there are some critical aspects for the new entity to function on Day 1 including the ability to make and receive payments, procurement and manage staff so there are ICT costs incurred during the transition.

Estimating the costs for ICT is inherently difficult due to the complexities associated with integrating systems and applications, and not knowing what the new entity may decide on as a future system. With the limited time to undertake this report the ICT costs have thus been based on the proposed Wellington reorganisation. A number of ICT scenarios were explored by Deloitte²⁷ for Wellington and the WNTA scenario most closely resembles the inner west situation has an estimated ICT cost of between \$55 million and \$80 million. The estimated cost is split between those costs incurred during the transition of \$10 to \$20 million and the implementation costs post Day 1 of \$45 to \$60 million that would be the responsibility of the new entity.

5.3 Business Process (existing council budget)

As part of ensuring the entity is functional on Day 1 is the requirement to redesign the business processes of the existing councils to one that integrates with the ICT systems. This would include the likes of consents, licensing and forms to replace that of the six existing councils. In the case of Auckland these tasks were largely undertaken by staff seconded to the transition body, the cost of which was not identified as it was a cost picked up by the nine existing councils.

5.4 Branding (\$2 million)

The new entity will require its own branding and as part of this a new logo will need to be designed. Once agreed there will be a need to replace the existing signage of the six councils for Day 1 of the new entity on buildings, facilities and vehicles. In addition it will be necessary to replace the existing staff uniforms, letterheads, brochures, forms and other items. The estimated cost for branding is \$2 million based on other amalgamation experience.

5.5 Redundancy Costs (\$2.7 million)

Through the transition period the Tier 1 and Tier 2 positions would be made redundant and based on employment contracts with a redundancy period of 38 weeks, the one off cost of redundancies is estimated at \$2.7 million based on the councils' respective Annual Reports 2013/14. It should be noted that these costs were met by the existing council budgets in the Auckland amalgamation, none the less was still a cost of amalgamation and was identified accordingly.

²⁷ Wellington Local Government Reorganisation Options – Transition Costs and Benefits for Technology Changes, Deloitte, September 2014

5.6 Remuneration Harmonisation (\$0 million)

The remuneration, terms and conditions for staff would need to be reviewed as part of the transition as there is currently a variation in pay rates and conditions across the six councils. In order to estimate the cost of wage parity for moving to a single entity, the average employee costs for Blacktown City Council have been compared to that of the inner west councils combined. The reason for comparing to Blacktown is that the size and functions of the organisation would be similar to a new single entity for the Inner West. The average employee costs for Blacktown is lower than the inner west councils which is a likely indication that in the longer term the average employment cost may decrease. However in the short term there is likely to be a cost in harmonisation due to the degree of variation in pay across the six councils.

5.7 Elections (\$0 million)

There is a possibility of proportional savings in existing council budgets as instead of six separate elections there will be one for the new entity. However the costs of the election are likely to be higher than for future elections as there will need to be additional communication and information provided to voters to inform them of the new arrangements. The costs will also be dependent on the future governance structure, as was the case in the Auckland amalgamation the election costs were more than the budgeted amounts from the previous councils. For the purposes of the transition costs, no additional budget has been allowed for assuming there is sufficient budget in the six councils.

APPENDIX D High Level Comparison of Services and Service Levels

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Governance						
Number of Councillors	12	7	9	12	12	7
Population per Councillor	3,638	4,953	9,133	4,692	6,807	5,381
Expenditure/Budget	1.52%	1.39%	1.25%	3.28%		0.87%
Ratepayers						
- residential	15,342	11,927	31,115	22,304	29,973	12,109
- business	829	853	1,671	1,830	1,981	1,018
- total	16,171	12,781	32,786	24,134	31,954	13,127
Administration						
Number of Equivalent Full Time Employees	173	170	296	466	536	145
Population per staff member	254	204	262	120	156	185
Services						
Administration						
Customer communication	Quarterly community newsletter (IH) Quarterly business newsletter (IH) Weekly Mayoral Column (IH)	Quarterly community newsletter (IH) Monthly Mayoral newspaper Column (IH)	Three different e-zines (IH)	Quarterly community newsletter (SS)	Quarterly community newsletter (IH) Monthly e-newsletter (IH)	Fortnightly Council newspaper column
Customer service calls (avg) answered per day	200 - 300			260		
Response to customer requests	90% requests responded within 10 days	80% phone calls answered <40 seconds 80% attendees within 5 minutes	80% counter enquiries resolved at counter		>70% enquiries resolved at first point of contact < 5 minutes wait at front counter	80% calls answered within 20 seconds Customer response within 10 days

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Governance and administration percentage expenditure on services	32%	32%	10%	22%	27%	22%
Internal audits conducted	3 – 4 per annum					2 per annum
Public Order and Safety						
Animal Control						
- Number of companion animals identified	7,051	5,051	13,519	16,738	21,042	4,745
- Percentage companion animals identified and registered	59%	64%	57%	50%	51%	45%
Complaints response standard	Investigate complaints within 24 hours		Investigation commenced within 5 days		Investigations commenced within 48 hours	Investigate dangerous dogs within 24 hours
Health						
Inspections:	Food shops as per FA guidelines (1 – 3 per annum) Food safety seminars Monthly immunisation clinic	Food shops annually Food safety seminars	Food shops annually Food safety seminars		Food shops annually	Food shops annually Food safety seminars
Environment						
Noxious Plants and Insect / Vermin Control	Respond to complaints within 24 hours					Investigate complaints within 10 working days

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Solid Waste Management	Weekly garbage (OS) Fortnightly recycling (OS) Fortnightly greenwaste (OS) Monthly E-waste (IH) Christmas tree / mattress collection	Weekly garbage (OS) Fortnightly recycling (OS) Fortnightly greenwaste (OS)	Weekly garbage (OS) Fortnightly recycling (OS) Fortnightly greenwaste (OS) E-waste (OS)	Weekly garbage (IH) Fortnightly recycling (OS) Fortnightly greenwaste (IH) E-waste (OS)	Weekly garbage (IH) Fortnightly recycling (OS) Fortnightly greenwaste (IH) Quarterly E-waste (OS)	Weekly garbage (IH) Fortnightly recycling (IH) Fortnightly greenwaste (IH)
<ul style="list-style-type: none"> - Avge domestic waste charge - Total domestic waste diversion rate - Clean-up household rubbish collections per year 	\$382 36% 2 per annum	\$376 45% 2 per annum (one scheduled, one on call)	\$366 44%	\$440 43% 2 per annum	\$488 41% On request	\$452 72%
Street Cleaning/Graffiti removal	Graffiti 48 hours Street sweeping 6-8 week cycle Town Centre daily Verge mowing – by eligibility	Graffiti 5 days Street sweeping 2 week cycle Town Centre daily Verge mowing – by eligibility	Graffiti 3 days Street sweeping 2 week cycle Town Centre daily Verge mowing – by eligibility	Verge mowing 20 day cycle	Street sweeping and verge mowing 5 weekly cycle Town Centre Daily Graffiti in hot spots removed fortnightly , in parks – hierarchy basis 2 – 12 weeks	Graffiti 48 hours Street sweeping 2 week cycle Town Centre daily Verge mowing – by eligibility
Drainage	GPTs emptied quarterly	Blocked drains cleared in 7 days				

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Stormwater Management	Stormwater management charge				Stormwater management charge	Stormwater management charge
Environmental - other	Investigate complaints within 48 hours		Investigate complaints within 10 days			Investigate complaints within 48 hours
Community Services and Education						
Children's Services	Youth Centre Youth Theatre Mobile playgroup OSHC 3 Childcare Centres (leased to private providers)	Mobile play van	Family Day Care Wellbank Children's Centre	4 child care centres (growing to 8)	6 child care centres 1 pre-school Vacation care Family Day Care 5 before & after care Mobile playgroup	
Multicultural services	Development and facilitation	Development and facilitation	Development and facilitation		Development and facilitation	Development and facilitation
Other	Support other programs	Support other programs HACC Services provided to inner west	Support other programs	Support other programs	Support other programs Meals on wheels provided to Marrickville and Leichhardt residents	Support other programs
Community transport	Own service	Outsources to other agency	Provides funding	Own service		
Animal control	Collection (IH) Pound (OS)	Collection (IH) Pound (OS)	Collection (IH) Pound (OS)	Collection (IH) Pound (OS)	Collection (IH) Pound (OS)	

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Housing and Community Amenities						
Public Cemeteries	None	None	None	None	None	None
Public Conveniences	14 sets					
Town Planning	s149 certificates within 5 days	s149 certificates within 3 days	s149 certificates within 5 days	s149 certificates within 4 days	s149 certificates within 5 days	s149 certificates within 4 days
Number of DAs determined	400	158	464	474	578	125
Mean gross days for DAs	39 days	83 days	78 days	91 days	72 days	67 days
DAs per existing dwellings	2.17%	1.41%	1.56%	2.09%	1.80%	1.03%
Recreation and Culture						
Public Libraries	2 libraries Circulation per capita 9 Home Library delivery twice weekly	1 libraries Circulation per capita 8	2 libraries Circulation per capita 6 Home Library delivery	2 libraries Circulation per capita 10	4 libraries Circulation per capita 6 Home Library delivery	2 libraries Circulation per capita 5 Home Library delivery
Art Galleries and art activities	Facilitate programs and activities		Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities 6 Galleries 4 sites	Facilitate programs and activities
Community Centres and Halls	11 venues	2 venues	7 venues	7 venues	5 venues	3 venues
Other Cultural Services	Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities
Sports Grounds and Venues	5 sportsgrounds			11 sports grounds	10 sportsgrounds	Hudson Park Golf Course
Swimming Pools (number)	1 Aquatic Centre (IH)	1 Aquatic Centre (IH)	2 Swimming Centres (OS)	1 Aquatic Centre 1 Swimming Centre	2 Aquatic Centres	

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Parks and Gardens (Lakes)	48 ha open space 1.1 ha per 1,000 population Mow parks fortnightly in summer and monthly in winter (IH)	38 ha open space 1.1 ha per 1,000 population Mow parks fortnightly in summer and monthly in winter (IH)	276 ha open space 3.4 ha per 1,000 population Mow parks fortnightly in summer and monthly in winter (OS)	84 ha open space 1.5 ha per 1,000 population Mow parks monthly (IH)	117 ha open space 1.4 ha per 1,000 population Mow parks fortnightly in summer and monthly in winter	123 ha open space 3.3 ha per 1,000 population Mowing (IH)
Other Sport and Recreation	2 off leash dog parks		Five Dock Leisure Centre 2 Court basketball stadium		10 off leash dog parks Debbie & Abbey Borgia Centre 3 Court multi-purpose indoor stadium Robyn Webster stadium	2 off leash dog parks
Transport and Communication						
Condition - % in 4 and 5 (Transport from ss7)	4%	25%	4%	165	6%	6%
- Road length (kms)	98	86	207	151	217	97
- Road length per capita (metres)	2.24	2.47	2.52	2.68	2.65	2.58
- Roads	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (IH/OS)	Maintenance (IH/OS) Construction (OS)
- Footpaths	Construction & maintenance (IH/OS)		Construction & maintenance (OS)	Construction (OS)	Construction & maintenance (IH/OS)	

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
- Marine facilities	None	None	Boat ramps, jetties, ocean baths & seawalls	Boat ramps, jetties, ocean baths, seawalls & dinghy storage sites	Jetty Seawall	None
Other Transport and Communication	Community bus			Community bus		Shuttle bus service
Fleet	Car fleet – (IH/OS) Heavy fleet – (IH/OS)	Car fleet – (IH/OS) Heavy fleet – (IH)	Car fleet – (OS) Heavy fleet – (IH/OS)	Car fleet – (OS) Heavy fleet – (IH/OS)	Car fleet – (IH) Heavy fleet – (IH)	
Drainage - Delivery	Maintenance (IH) Construction (OS)	Maintenance (IH) Construction (OS)	Maintenance (IH/OS) Construction (IH/OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (IH/OS)	Maintenance (IH) Construction (OS)
Economic Affairs						
Expenditure/Budget	0%	0.05%	1.60%	0%		0.51%
Legal advice	Outsourced	Outsourced	Outsourced	Outsourced & Internal	Outsourced	
Security	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced
Buildings	Maintenance (IH/OS) Construction (OS)	Maintenance (OS)	Maintenance (IH/OS)	Maintenance (IH/OS)	Maintenance (IH/OS)	Maintenance (IH)
Condition - % in 4 and 5 (buildings ss7)	21%	5%	1%	6%	15%	18%

Note

1. The purpose of this matrix is to provide a comparison of those services and activities which are different or only provided by some of the participating councils. Where the services and/or service levels are the same (or essentially the same) they have been excluded.

APPENDIX E Capacity

Key Elements of Strategic Capacity	2 Council Mergers	3 Council Mergers	4 Council Mergers	5 Council Mergers	Inner West Council
More robust revenue base and increased discretionary spending	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change	Significant change	Significant change
<i>Rationale</i>		Revenue base increased to 150,000 - 200,000	Revenue base increased to over 250,000	Revenue base increased to over 300,000	Very large revenue base compared to existing NSW Councils
Scope to undertake new functions and major projects	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change	Significant change	Significant change
<i>Rationale</i>	Mergers do not significantly increase a council's financial or human resources	Mergers make large Councils (NSW comparison) and increases ability to prioritise and undertake regionally significant projects intellectually, financially and resource wise	Better able to prioritise and undertake regionally significant projects intellectually, financially and resource wise	Better able to prioritise and undertake regionally significant projects intellectually, financially and resource wise	Better able to prioritise and undertake regionally significant projects intellectually, financially and resource wise
Ability to employ wider range of skilled staff	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change	Significant change	Significant change
<i>Rationale</i>		Larger council has capacity to employ (and contract) more specialist staff	Large council has capacity to employ (and contract) more specialist staff	Large council has capacity to employ (and contract) more specialist staff	Single larger council has capacity to employ (and contract) more specialist staff
Knowledge, creativity and innovation	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	No change	No change	No change	No change
<i>Rationale</i>	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan

Key Elements of Strategic Capacity	2 Council Mergers	3 Council Mergers	4 Council Mergers	5 Council Mergers	Inner West Council
	Sydney and an increase scale makes little or no difference	Sydney and an increase scale makes little or no difference	Sydney and an increase scale makes little or no difference	Sydney and an increase scale makes little or no difference	Sydney and an increase scale makes little or no difference
Effective regional collaboration	No	No	Yes	Yes	Yes
<i>Degree of Change</i>	No change	No Change	Moderate Change	Significant change	Significant change
<i>Rationale</i>	Region remains fragmented	Region remains largely fragmented	Large inner west Council driving regional collaboration	Largely represents an inner west voice, individual Council not involved could be sidelined	Represents a single inner west voice
Credibility for more effective advocacy	No	No	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate Change	Moderate Change	Significant change	Significant change
<i>Rationale</i>	Region remains fragmented with small councils advocating for individual interests	Region remains largely fragmented, however a council of 3 previous councils represents reasonable large population base	Large inner west Council representing significant population base	Largely represents an inner west voice, although individual Council not involved could be sidelined	Represents a single inner west voice representing significant population base
Capable Partner for State and Federal Agencies	No	No	Yes	Yes	Yes
<i>Degree of Change</i>	No change	No Change	Moderate Change	Significant change	Significant change
<i>Rationale</i>	Region remains fragmented requiring multiple relationships for state and federal agencies	Region remains largely fragmented with at least 2 councils, probably more, representing the inner west	Large inner west Council driving regional collaboration	Largely represents an inner west voice, the individual Council not involved could be sidelined	Represents a single inner west voice
Resources to Cope with complex and unexpected change	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate Change	Moderate Change	Significant change	Significant change
<i>Rationale</i>	No significant financial improvements or changes in resources from mergers	Councils have improved capacity to meet challenges intellectually, financially and resource wise	Council has financial capacity to meet challenges intellectually, financially and resource wise	Large council with large financial capacity to meet challenges intellectually, financially and resource wise	Large council with large financial capacity to meet challenges intellectually, financially and resource wise

Key Elements of Strategic Capacity	2 Council Mergers	3 Council Mergers	4 Council Mergers	5 Council Mergers	Inner West Council
High Quality political and managerial leadership	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Moderate change	Moderate Change	Moderate change
	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff. A merger between 2 councils only is unlikely to change this situation from the status quo</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff. A merger of 3 councils increases the management group and remuneration capacity</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff. Larger organisation will be able to sustain a larger management group and increase remuneration to attract and retain top staff</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff. Larger organisation will be able to sustain a larger management group and increase remuneration to attract and retain top staff</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff. Larger organisation will be able to sustain a larger management group and increase remuneration to attract and retain top staff</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>

APPENDIX F Comparison of the Approach to the Natural and Built Environment of the Inner West Councils

The following is based on overarching LEP plan aims as an indication of:

- protection of the natural environment
- protection the built environment and built heritage
- general approach to growth and development

	Natural	Built	Approach to Growth
Ashfield	<p>Relative emphasis on natural environment - medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are:</p> <ul style="list-style-type: none"> • to promote the orderly and economic development of Ashfield in a manner that is consistent with the need to protect the environment • to identify and conserve the environmental and cultural heritage of Ashfield • to ensure that development has proper regard to environmental constraints and minimises any adverse impacts on biodiversity, water resources, riparian land and natural landforms • to require that new development incorporates the principles of ecologically sustainable development 	<p>Relative emphasis on built heritage - medium</p> <p>The particular aims of the LEP which relate to the protection of built heritage are:</p> <ul style="list-style-type: none"> • to retain and enhance the identity of Ashfield as an early residential suburb with local service industries and retail centres • to protect the urban character of the Haberfield, Croydon and Summer Hill urban village centres while providing opportunities for small-scale, infill development that enhances the amenity and vitality of the centres 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> • to provide increased housing choice in locations that have good access to public transport, community facilities and services, retail and commercial services and employment opportunities • to strengthen the viability and vitality of the Ashfield town centre as a primary centre for investment, employment, cultural and civic activity, and to encourage a majority of future housing opportunities to be located within and around the centre
Burwood	<p>Relative emphasis on natural environment - low</p> <ul style="list-style-type: none"> • Overarching LEP aims do not place any emphasis on protection of natural environment 	<p>Relative emphasis on built heritage - low</p> <ul style="list-style-type: none"> • Overarching LEP aims do not place any emphasis on consideration of built heritage 	<p>The LEP plan aims suggest a relatively permissive approach to growth and development with stated aims to:</p> <ul style="list-style-type: none"> • encourage provision of a range of housing types • encourage growth in business and employment development • Very few stated constraints or considerations on development

	Natural	Built	Approach to Growth
City of Canada Bay	<p>Relative emphasis on natural environment – low/medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to conserve the environmental heritage of City of Canada Bay to promote ecologically sustainable development 	<p>Relative emphasis on built heritage – low/medium</p> <p>The particular aims of the LEP which relate to the protection of built heritage are:</p> <ul style="list-style-type: none"> to achieve high quality urban form by ensuring that new development reflects the existing or desired future character of particular localities 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> to promote sustainable transport, reduce car use and increase use of public transport, walking and cycling to provide high quality open spaces and a range of recreational facilities to maintain and enhance the existing amenity and quality of life of the local community by providing for a balance of development that caters for the housing, employment, entertainment, cultural, welfare and recreational needs of residents and visitors
Leichhardt	<p>Relative emphasis on natural environment – high</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to ensure that development applies the principles of ecologically sustainable development to minimise land use conflict and the negative impact of urban development on the natural, social, economic, physical and historical environment to identify, protect, conserve and enhance the environmental and cultural heritage of Leichhardt, to protect and enhance views and vistas of Sydney Harbour, Parramatta River, Callan Park and Leichhardt and Balmain civic precincts from roads and public vantage points, and to prevent undesirable incremental change, including demolition, that reduces the heritage significance of places, conservation areas and 	<p>Relative emphasis on built heritage – high</p> <p>The particular aims of the LEP which relate to the protection of built heritage are:</p> <ul style="list-style-type: none"> to maintain and enhance Leichhardt's urban environment to minimise land use conflict and the negative impact of urban development on the natural, social, economic, physical and historical environment to ensure that development is compatible with the character, style, orientation and pattern of surrounding buildings, streetscape, works and landscaping and the desired future character of the area, to protect, conserve and enhance the character and identity of the suburbs, places and landscapes of Leichhardt, including the natural, scientific and cultural 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> to ensure that land use zones are appropriately located to maximise access to sustainable transport, community services, employment and economic opportunities, public open space, recreation facilities and the waterfront, to provide for development that promotes road safety for all users, walkable neighbourhoods and accessibility, reduces car dependency and increases the use of active transport through walking, cycling and the use of public transport, to ensure an adequate supply of land and housing to facilitate employment and economic opportunities, and to ensure that development provides high quality

	Natural	Built	Approach to Growth
	<p>heritage items</p> <ul style="list-style-type: none"> to ensure that development responds to, conserves, protects and enhances the natural environment, including terrestrial, aquatic and riparian habitats, bushland, biodiversity, wildlife habitat corridors and ecologically sensitive land, to promote energy conservation, water cycle management (incorporating water conservation, water reuse, catchment management, stormwater pollution control and flood risk management) and water sensitive urban design, to ensure that existing landforms and natural drainage systems are protected, to ensure that the risk to the community in areas subject to environmental hazards is minimised, to ensure that the impacts of climate change are mitigated and adapted to 	<p>attributes of the Sydney Harbour foreshore and its creeks and waterways, and of surface rock, remnant bushland, ridgelines and skylines</p>	<p>landscaped areas in residential developments</p> <p>Also some emphasis on housing type and mix and affordability:</p> <ul style="list-style-type: none"> to promote accessible and diverse housing types, and affordable housing
Marrickville	<p>Relative emphasis on natural environment – low/medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to ensure development applies the principles of ecologically sustainable development to promote sustainable transport, reduce car use and increase use of public transport, walking and cycling 	<p>Relative emphasis on built heritage – low/medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to identify and conserve the environmental and cultural heritage of Marrickville 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> to support the efficient use of land, vitalisation of centres, integration of transport and land use and an appropriate mix of uses to increase residential and employment densities in appropriate locations near public transport while protecting residential amenity to protect existing industrial land and facilitate new business and employment to promote sustainable transport, reduce car use and increase use of public transport, walking and cycling

	Natural	Built	Approach to Growth
			<p>Also some emphasis on housing type and mix and affordability:</p> <ul style="list-style-type: none"> to promote accessible and diverse housing types including the provision and retention of affordable housing
Strathfield	<p>Relative emphasis on natural environment – medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to identify and protect environmental and cultural heritage to promote future development that integrates land use and transport planning, encourages public transport use, and reduces the traffic and environmental impacts of private vehicle use to minimise risk to the community by identifying land subject to flooding and restricting incompatible development 	<p>Relative emphasis on built heritage – low/medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to achieve high quality urban form by ensuring that new development exhibits design excellence and reflects the existing or desired future character of particular localities and neighbourhoods in Strathfield 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> to promote the efficient and spatially appropriate use of land, the sustainable revitalisation of centres, the improved integration of transport and land use, and an appropriate mix of uses by regulating land use and development, to promote future development that integrates land use and transport planning, encourages public transport use, and reduces the traffic and environmental impacts of private vehicle use to provide opportunities for economic growth that will enhance the local community

APPENDIX G Comparison of community strategic plans of the inner west councils

Council	Vision	Broader Themes
City of Canada Bay	<p>City of Canada Bay's Futures20 Plan sets a vision for a region which is:</p> <ul style="list-style-type: none"> • active and vibrant; • has sustainable spaces and places; • is innovative and engaged; and • is thriving and connected. 	<ul style="list-style-type: none"> • To be an active and vibrant city that captures the energy, diversity, pride and potential of its community. • To be a city of sustainable spaces and places; one whose residents recognise and act on their collective responsibility to protect their environment and to preserve it for future generations. • To be an innovative and engaged city, and one served by an effective local council that works with its community to balance the needs of its many and diverse stakeholders. • A thriving and connected city that has successful local economic development and is served by well-functioning transport and roads.
Leichhardt	<p>Leichhardt Council have set the following vision for 2025:</p> <ul style="list-style-type: none"> • Our Local Community – making it the place where we want to live, work, play and visit • Democratic Responsible Government – open, participative and proactive Council leading the community • Sustainability – shared passion and commitment to consistently do all the things required to enhance and preserve the social, environmental, economic and civic leadership factors that are important to the lives of future generations and life on our planet 	<ul style="list-style-type: none"> • A Leichhardt community that is equitable, cohesive, connected, caring, diverse, healthy, safe, culturally active, creative and innovative, and has a strong sense of belonging and place • Accessibility: Easy access for people, services, information and facilities that promotes the amenity, health and safety of the community and that reduces private car dependency for all travel • A liveable place – socially, environmentally and economically; A sustainable environment created by inspiring, leading and guiding our social, environmental and economic activities • Thriving businesses and a vibrant community working together to improve the local economy • Sustainable services and assets and accountable civic leadership that delivers services and assets to support the community now and in the future
Marrickville	<p>Marrickville Council's vision for 2023 is for:</p> <ul style="list-style-type: none"> • A culturally diverse, forward thinking, inner city communities and neighbourhoods. • A community that remains welcoming, proud of its diversity and its history. • A place where businesses are confident and responsive to the needs of the local community. Is a creative community. 	<ul style="list-style-type: none"> • A diverse community that is socially just, educated, safe and healthy • A creative and cultural Marrickville • A vibrant economy and well planned, sustainable urban environment and infrastructure • Effective, consultative and representative council

Council	Vision	Broader Themes
	<ul style="list-style-type: none"> A place that values the people who celebrate, challenge and inspire local identity and sense of place. The environment is healthy and native plants and animals are thriving. Local communities work closely with Council, which is ethical, effective and accountable. 	
Burwood	<p>Burwood's vision for 2030 is to be:</p> <ul style="list-style-type: none"> A well connected, sustainable and safe community that embraces and celebrates its diversity. 	<ul style="list-style-type: none"> A Sense of Community Leadership Through Innovation A Sustainable Natural Environment Accessible Services and Facilities A Vibrant Economic Community
Ashfield	<p>Ashfield's vision for 2023 is for:</p> <p><i>A caring community of linked villages inspired by its rich cultural history, heritage and diversity.</i></p>	<ul style="list-style-type: none"> Creative and inclusive community Unique and distinctive neighbourhoods Living sustainably Thriving Local Economy Attractive and lively Town Centre Engaging and innovative local democracy
Strathfield	<p>In 2025, Strathfield's vision is for:</p> <p>"... a well-connected urban centre in Sydney's Inner West with rich cultural diversity and a strong sense of community cohesion. The community is engaged with Council in guiding a sustainable future and opportunities for education, recreation, employment and overall wellbeing in Strathfield.</p>	<ul style="list-style-type: none"> Connectivity Community Wellbeing: Prosperity and Opportunities Liveable Neighbourhoods Responsible Leadership

APPENDIX H Detailed Community Profile



The Communities of the Inner West

January 2015

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1. INTRODUCTION

A desktop review of the communities of the Inner West council areas has been undertaken in order to understand the current demographic composition of the area, the similarities and differences between the council areas, and the interrelationships and communities of interest that currently exist within the inner west.

Communities of interest and geographic cohesion are considered essential considerations for any boundary adjustment process (Section 263 of the Local Government Act). The two key reference points for this review are ABS Census Data taken from the Councils' ProfileID websites, along with the analysis contained in the *New South Wales Local Government Areas: Similarities and Differences, A report for the Independent Local Government Review Panel*²⁸.

2. SUMMARY OF KEY SIMILARITIES AND DIFFERENCES

Geographically, the inner west is quite a contained area, with the only physical restraints between its communities being major transport infrastructure such as Parramatta Road and some waterways. It has traditionally been grouped as a small region, separate from the City of Sydney to its East, St George and Canterbury/Bankstown to its south and Auburn to its West.

There are a number of similarities between the areas, including:

- the dependence on and movements to the City of Sydney for employment, entertainment, retail and other services
- the area as a whole is more multicultural than Greater Sydney
- there is a low ratio of children to adults of parenting age associated with a low proportion of children in the population overall and a low proportion of elderly people
- higher education levels than Greater Sydney
- there is low employment containment within each council area, however the inner west region as a whole is higher.

However a number of differences can also be observed. The *Similarities and Differences* report categorises the councils areas into a number of different clusters based on the predominance of certain demographic factors:

- Burwood and Strathfield are in the cluster of the most multicultural council areas in NSW
- The City of Canada Bay and Leichhardt are in the highest wealth cluster of council areas
- Ashfield and Marrickville are in the most academically inclined cluster of council areas

Other differences include

- Strathfield's population density is significantly lower than the other areas, and much closer to the areas to its west such as Parramatta, Auburn and Holroyd
- there are differences in the cultures that are predominant in the areas
- Burwood is somewhat of an outlier in terms of socioeconomic disadvantage and the factors that make this up including household income
- there are more residents of Burwood and Strathfield in the generally lower earning occupations (trades, labouring)

²⁸ National Institute of Economic and Industry Research, March 2013

- City of Canada Bay has the largest economy in gross terms, however when this is considered at a per capita level (population, businesses and workers), Strathfield has a high value economy for its size
- City of Canada Bay and Leichhardt have higher rates of employment containment
- political representation differs across the inner west.

At the state and federal level, the inner west continues to be grouped within the same regions for both services and strategic planning.

3. POPULATION SUMMARY

3.1 Current base information

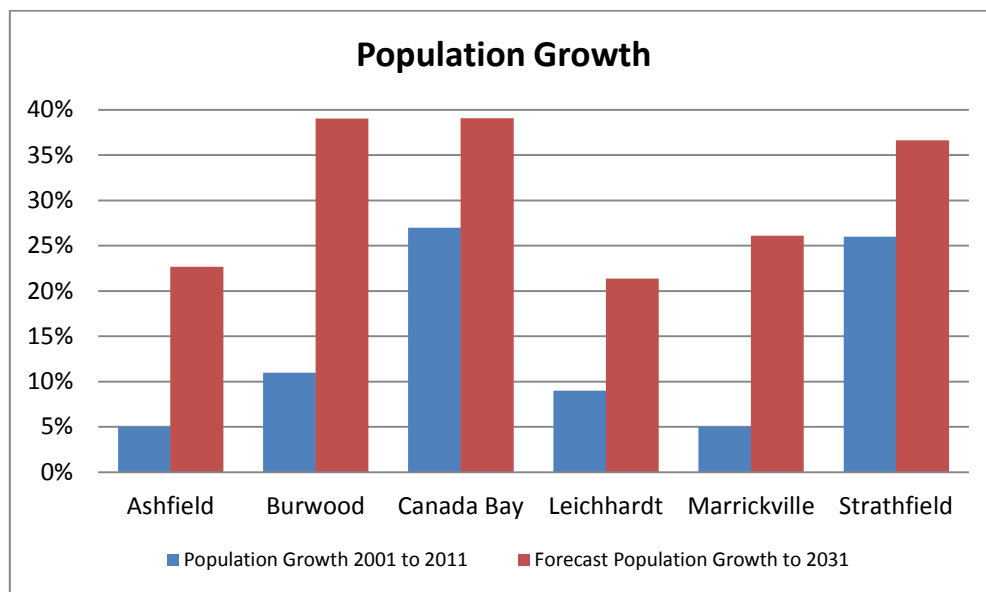
	Population (ERP 2013)	No. Households	Land Area (ha)	Population Density
Ashfield	44,175	16,185	829	53
Burwood	35,298	11,239	715	49
City of Canada Bay	84,906	29,735	1,990	43
Leichhardt	57,266	22,638	1,055	54
Marrickville	82,523	32,099	1,656	50
Strathfield	38,358	12,180	1,389	28
Total Inner West	342,526	124,076	7634	45

3.2 Population growth and forecasts

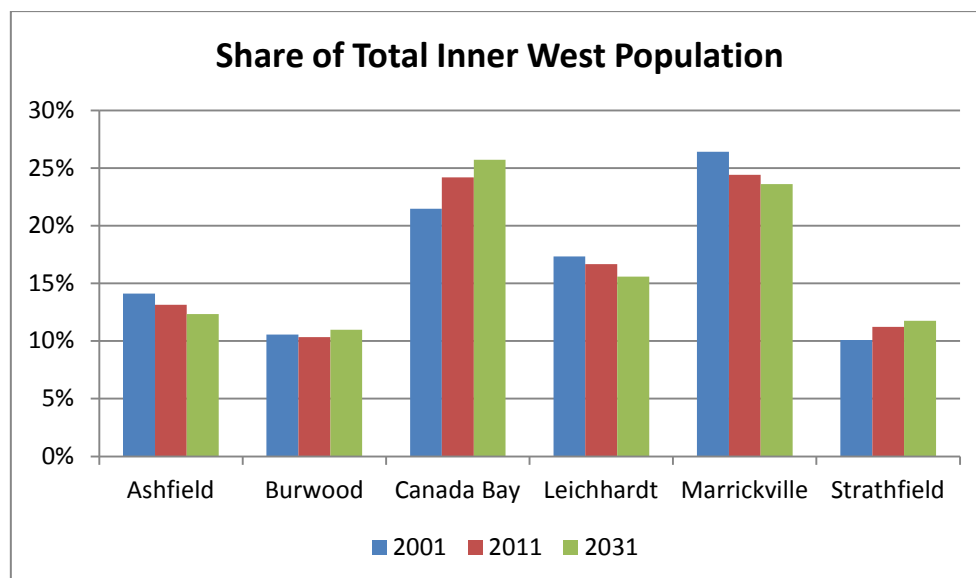
Analysis of the census data and the NSW Department of Planning's Population forecasts has been undertaken to identify the patterns of past and future population growth within the inner west. All areas of the inner west will accommodate a share of the State's growth, with an overall total population increase of 38%, or almost 120,000 people.

The City of Canada Bay has undergone the greatest growth since 2001, which is predicted to continue at an overall growth rate of 39.1% from 2011 to 2031. Similarly Burwood will grow by 39%.

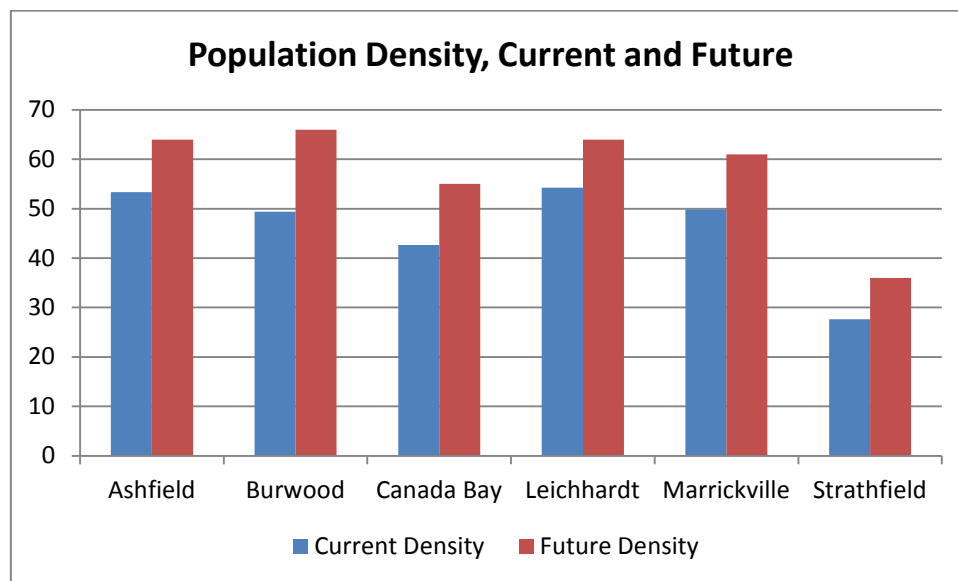
Ashfield, Burwood and Marrickville are facing the prospect of managing a far higher forecast growth rate than they did over the 2001-2011 period in comparison with the other council areas.



This changes the overall share of the population within the inner west, with the City of Canada Bay and Strathfield gaining an increasing share of the total, and Ashfield, Leichhardt and Marrickville declining as a proportion of the whole.



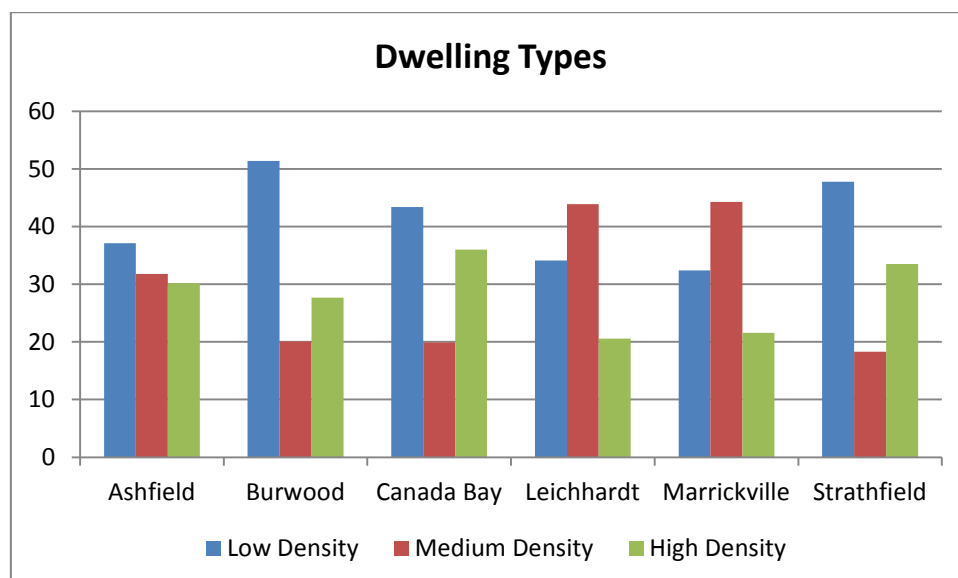
The forecast population growth will increase the density in all inner west council areas, and as a whole from 45 to 57 persons per hectare.



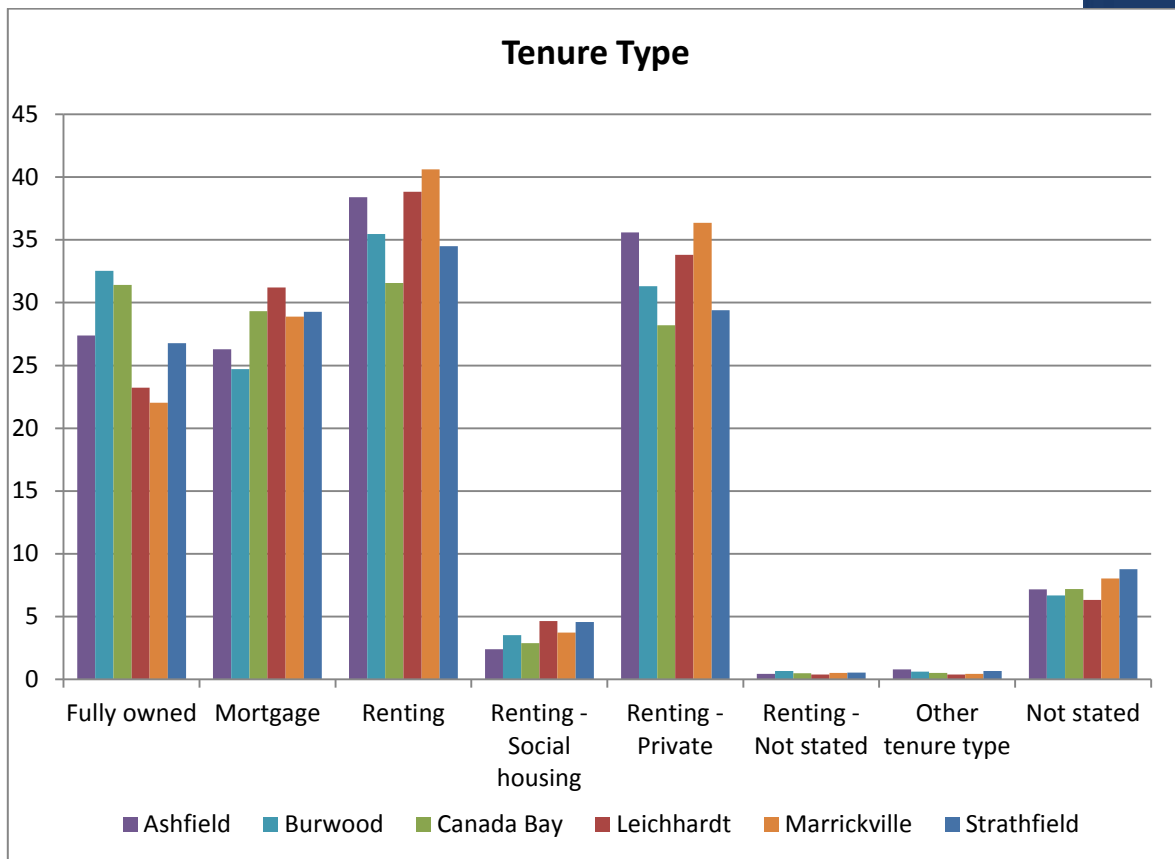
3.3 Dwellings

Overall the six councils are in a cluster of areas with high proportions of flats, greater population mobility than the state average, and tenancy distributed across the tenancy types.

Across the inner west, Burwood and Strathfield have the greatest proportions of low density housing, with the City of Canada Bay and Strathfield having the highest proportions of high density dwellings. Ashfield has the flattest dwellings profile with more even representation amongst the different dwelling types. Leichhardt and Marrickville have greatest proportions of medium density housing as a total.



Burwood, Ashfield and the City of Canada Bay have the highest proportion of homes owned outright, Leichhardt and Strathfield mortgaged, and Leichhardt and Marrickville rented. Across the inner west there is a higher overall proportion of housing being rented and lower rates of social housing than Greater Sydney. Leichhardt and Strathfield have the highest proportions of social housing at 4.6 and 4.7% respectively.



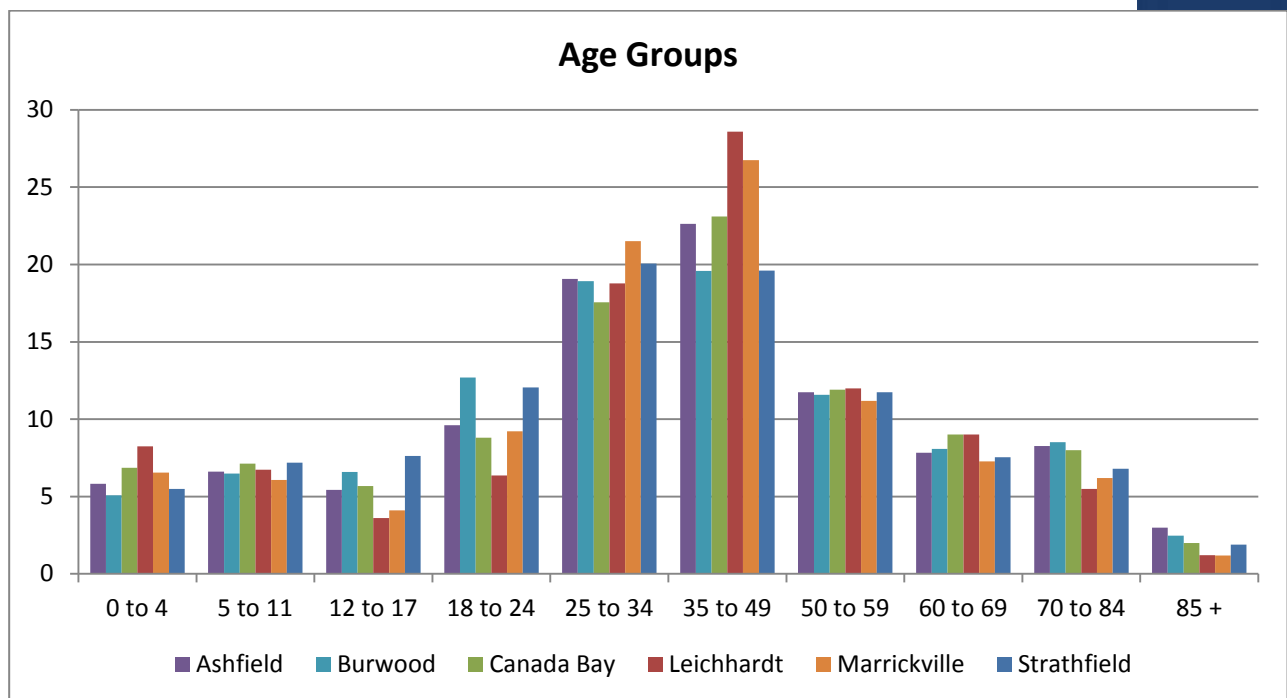
3.4 Age structure

The age structure of the community provides an insight into the level of demand for age based services and facilities, as well as the key issues on which local government will need to engage with other levels of government in representation of their community.

The *Similarities and Differences* analysis groups all of the six inner west councils in the same cluster for age structure, with a low ratio of children to adults of parenting age associated with a low proportion of children in the population overall and a low proportion of elderly people.

The key similarities and differences within the Inner West in terms of age structure include:

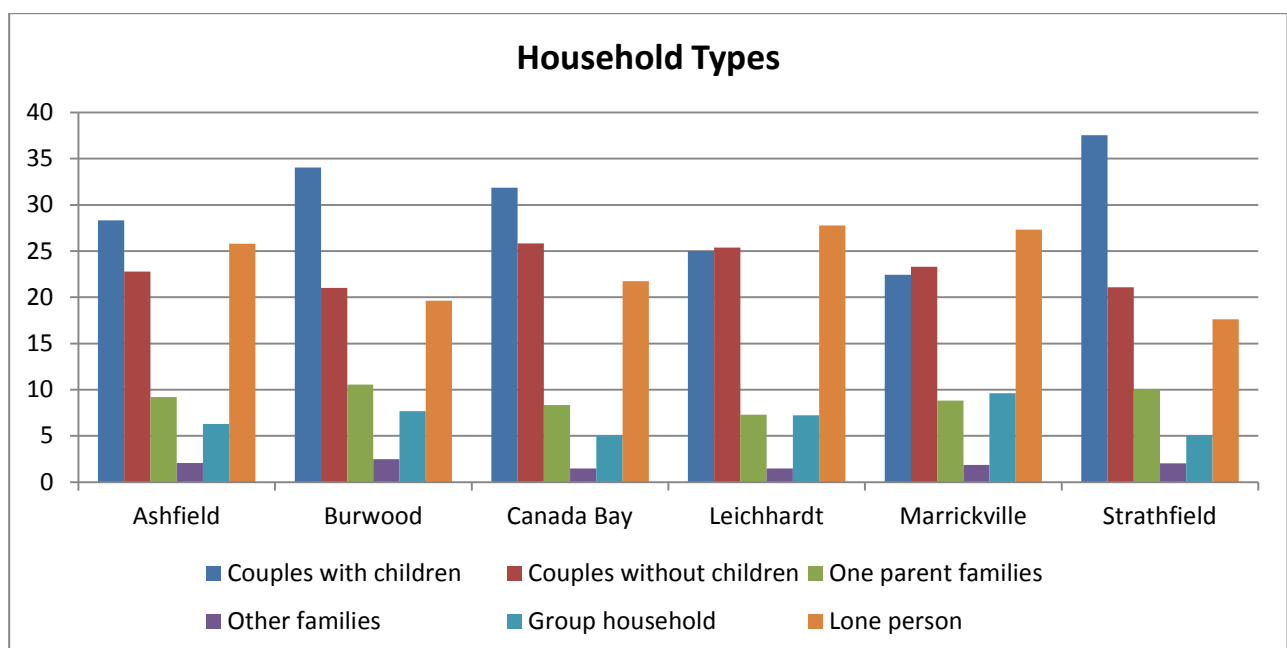
- Leichhardt and Ashfield have the greatest spikes in their population profile, with large population proportions in the 35 to 49 age group
- Leichhardt has a higher proportion of children
- Burwood and Strathfield have relatively flatter population profiles overall, with notably higher proportions in the teenage and young adult age groups
- There is little variation in the size of the groups over 50 years across the inner west councils.



3.5 Household types

With the exception of Leichhardt, the council areas of the Inner West have a lower proportion of couple households with children and one parent families than the Greater Sydney area. Strathfield has the greatest proportion of these family types, followed by Burwood. Marrickville has the lowest rate of couples with children. All of the areas have low rates of one parent families.

There are generally more group households across the inner west, particularly high in Marrickville, and in most of the areas the rate of lone person households is high.



4. CULTURE

The study on similarities and differences in local government across New South Wales places both Burwood and Strathfield into the cluster of the most multicultural council areas.

In comparison to the Sydney and NSW averages, the inner west is more multicultural as a whole.

4.1 Birthplace

The council areas of the inner west display some differences in the birthplace of residents, both proportions of those who are Australian born and the countries from which non-Australian born residents derive from.

Leichhardt sits in a cluster of areas with higher proportions of Australian born residents (around 3/4), with around 10% from north and west Europe. Burwood and Strathfield sit in a small cluster of areas with less than half the population Australian born, with significant representation of East Asia and South Asia. The City of Canada Bay and Marrickville are in a cluster of areas with around 60% Australian born, with rather less north and west European born than the cluster with Leichhardt, and more from Asia and Southern and Eastern Europe.

The following table shows the top three countries of birth, after Australia, for each Inner West council area:

	Born in Australia	1	2	3
Ashfield	49.3%	China 10.1%	Italy 4.3%	India 3.4%
Burwood	41.7%	China 14.9%	India 4.7%	South Korea 3.8%
City of Canada Bay	58%	China 5.7%	Italy 5.1%	UK 3.3%
Leichhardt	65.3%	UK 8.6%	NZ 3.2%	Italy 1.8%
Marrickville	58.3%	UK 4.5%	Greece 3%	Vietnam 2.9%
Strathfield	39.8%	China 9.3%	India 8%	South Korea 7.5%
Sydney Metro	59.9%			

4.2 Religion

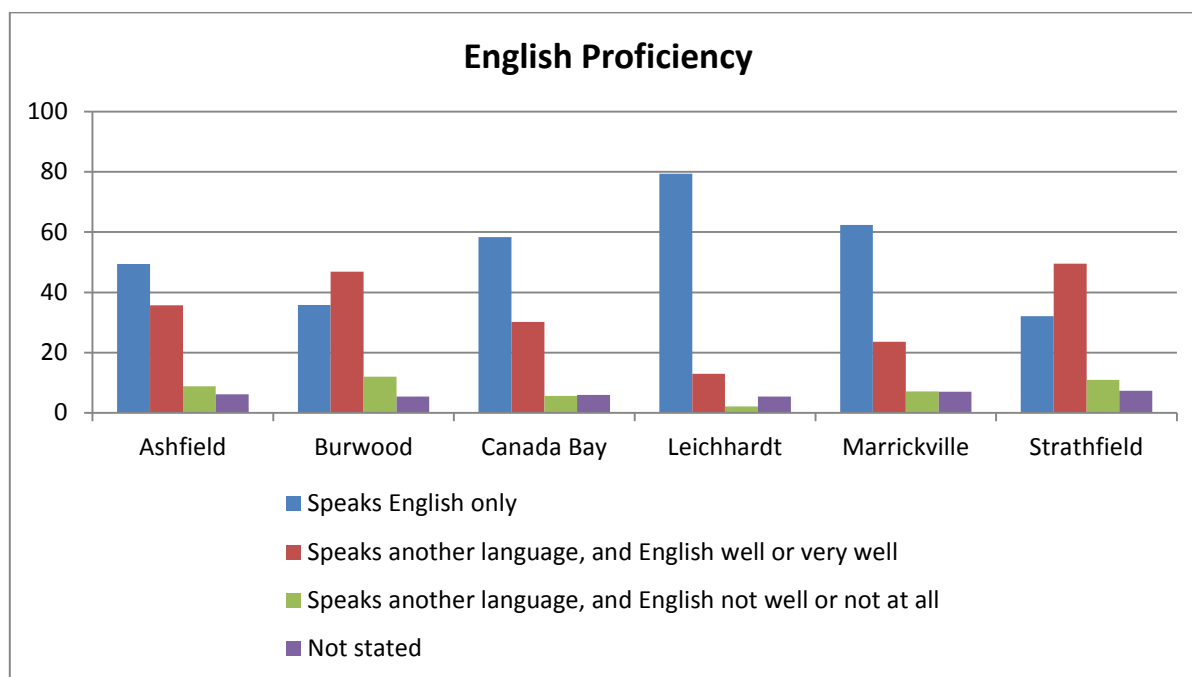
Four of the inner west councils are in a cluster where the proportion of the population with no religion is greatest, and with Catholicism and mainline Protestantism each claiming almost a third of the population. Consistent with the higher multicultural population in Burwood and Strathfield, these areas sit in a cluster notable for its high proportion of Hindus and Buddhists, and a presence of Islam and orthodoxy.

4.3 Language

The City of Canada Bay, Leichhardt and Marrickville are clustered together with areas where English spoken at home is around 80% of households and a broad representation of languages

comprising the remainder. Ashfield, Burwood and Strathfield are in a group where almost half of all households use English at home with a mix of other languages among which the East Asian languages are prominent.

Burwood and Strathfield contain the highest proportions of residents who do not speak English well or at all.



5. EDUCATION

In the similarities and differences study, Ashfield and Marrickville sit in the cluster of the most 'academically inclined' council areas, based on the different levels of educational achievement as detailed below.

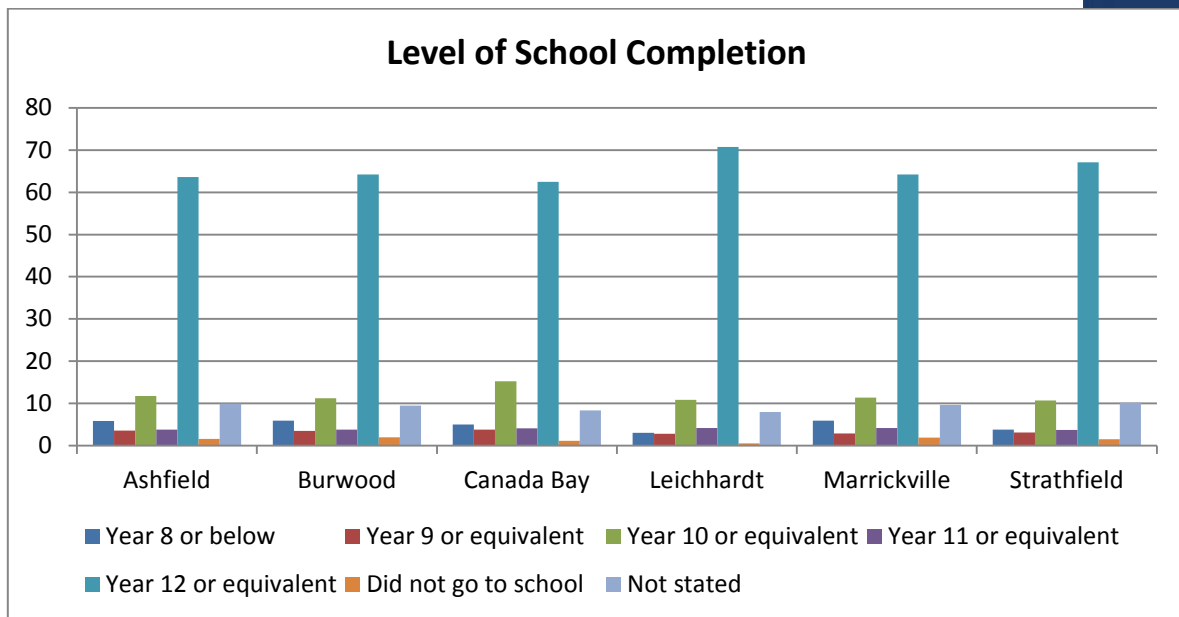
Leichhardt is within a cluster with a high ratio of professional to trade qualifications, a fairly high proportion overseas born with good English coupled with a low proportion overseas born with poorer English, and high Year 12 achievement coupled with high adolescent educational attendance – all the educational marks of high incomes and high prospective incomes.

The remaining five Inner West council areas are in a cluster with far greater educational diversity, characterised by high proportions of overseas-born residents with good English, high educational attendance high Year 12 achievement and a high ratio of professional to trade qualifications, compromised by moderate proportions overseas-born and speaking limited English.

5.1 School completion

School completion data is a useful indicator of socio-economic status. Combined with educational qualifications it also allows assessment of the skill base of the population.

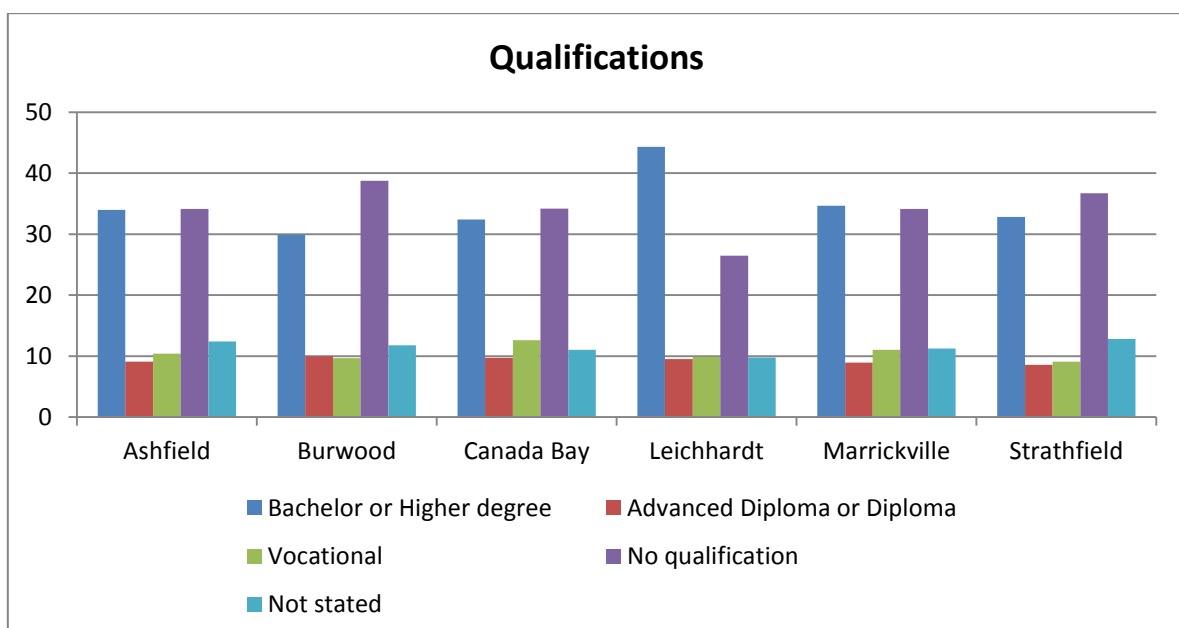
Overall, the inner west has high rates of Year 12 school completion with 55% the Year 12 completion rate for Sydney as a whole. Leichhardt has the highest rate of school completion, which is consistent with a range of other socioeconomic factors including household income.



5.2 Post school qualifications

Educational qualifications relate to education outside of primary and secondary school and are one of the most important indicators of socio-economic status. With other data sources, such as employment status, income and occupation, an area's educational qualifications help to evaluate the economic opportunities and socio-economic status of the area and identify skill gaps in the labour market.

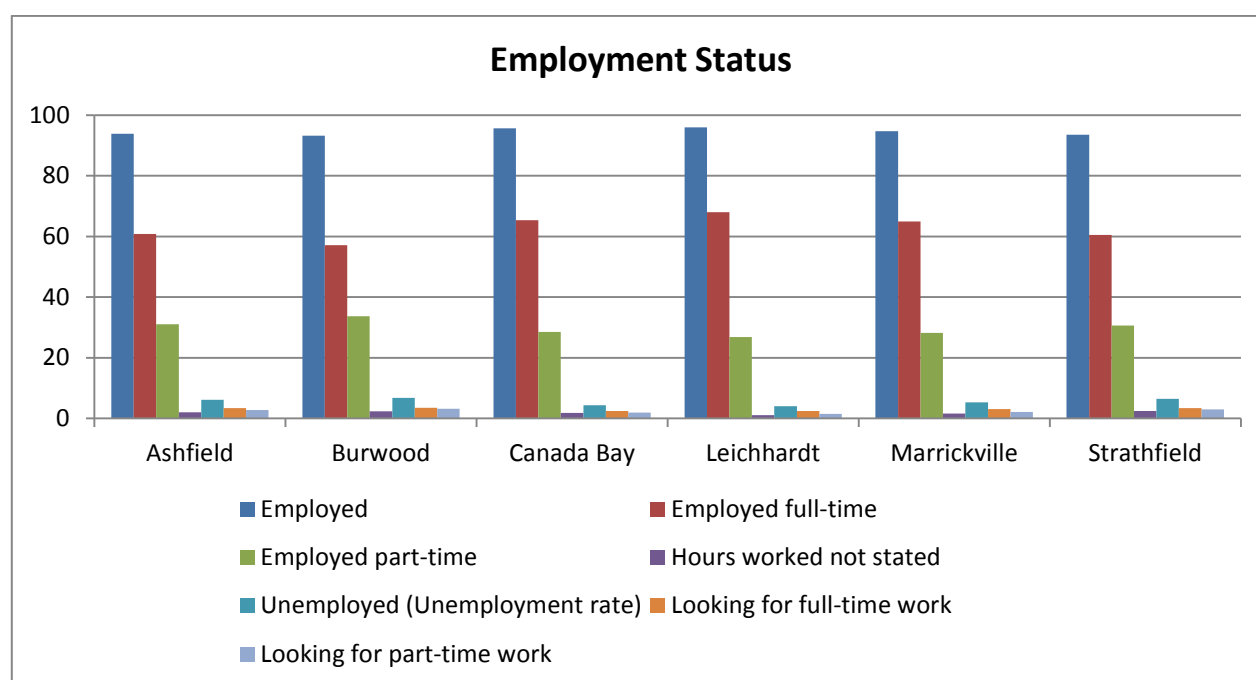
As with school completion, the inner west as a whole has a better education profile when compared with the rest of the Sydney area, which sees 24% of the population with bachelor or higher degrees, 15% with vocational qualifications and 40% with no qualification. Leichhardt has a significantly highest proportion of university qualified residents, and Burwood and Strathfield have the lowest educational profiles of the Inner West based on their rates of vocational qualifications and no qualifications.



6. LABOUR MARKET

Five of the council areas are in a cluster of areas with low unemployment, low social security take-up, reasonably high work availability and moderate FTE employment participation, along with high average earnings. Marrickville sits somewhat more unusually in a cluster of mostly rural and pastoral areas with moderate unemployment rates and social security take-up, however hours worked per week are higher than the other clusters and the FTE jobholding rate is high.

6.1 Employment status



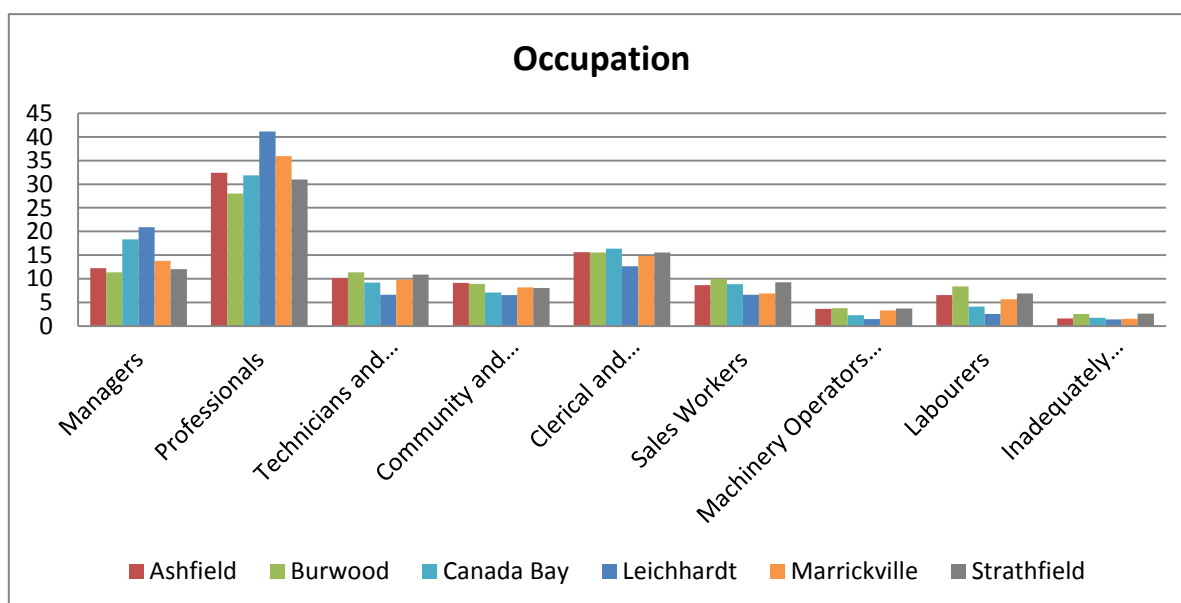
6.2 Industries of employment

The inner west has a relatively similar profile for industries of employment, with a predominance of health care and social assistance and professional, scientific and technical industries. Retail trade also features strongly.

	1	2	3
Ashfield	Health Care & Social Assistance	Professional, Scientific & Technical	Retail Trade
Burwood	Health Care & Social Assistance	Retail Trade	Accommodation & Food Services
City of Canada Bay	Professional, Scientific & Technical	Health Care & Social Assistance	Retail Trade
Leichhardt	Professional, Scientific & Technical	Health Care & Social Assistance	Education & Training
Marrickville	Professional, Scientific & Technical	Health Care & Social Assistance	Education & Training
Strathfield	Health Care & Social Assistance	Retail Trade	Professional, Scientific & Technical

6.3 Occupations

All inner west councils have a predominance of professionals, with Leichhardt particularly high. These are well above the Greater Sydney average of 25%. Leichhardt has the greatest overall proportion of its community employed in generally higher earning occupations, with higher proportions of Burwood and Strathfield residents in the generally lower earning occupations (trades, labouring).



7. HOUSEHOLD INCOME AND WEALTH

The six inner west council areas are clustered together in a group of 'middle income' areas with a high range and salary component (from which is deducted significant taxes), with property income also significant.

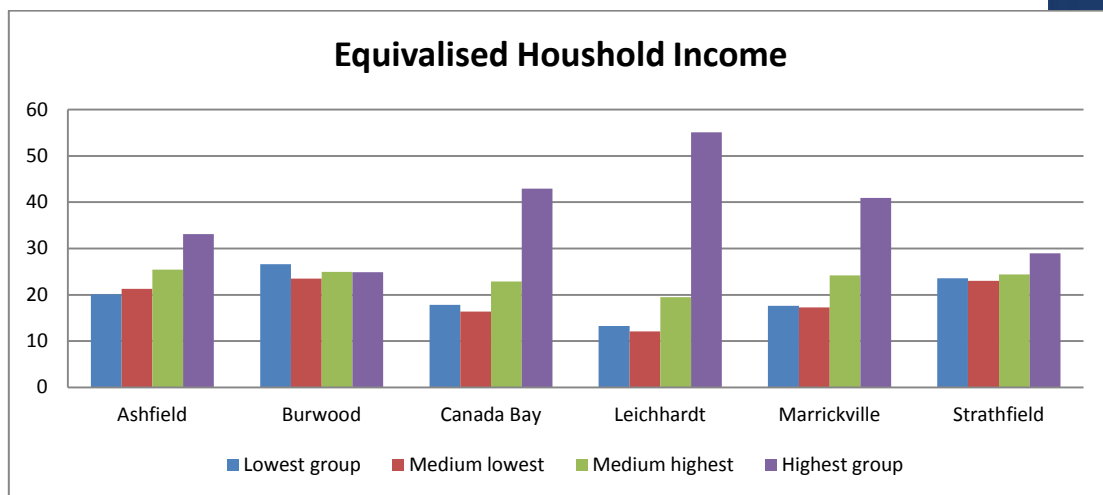
The six councils also sit in a cluster of areas with moderately high wealth per households (around \$0.85 million each), with much of the wealth in housing. Liabilities and the rate of growth of wealth are moderate.

7.1 Equivalised household income

Equivalised household income puts all households on an equal footing independent of household size and composition to enable a true comparison between areas and over time. It is an indicator of the income resource available to a household of standard size and is the best measure of the changing economic fortunes of households living in an area.

Leichhardt and the City of Canada Bay have the highest incomes in the Inner West, with the greatest proportion of households in the highest income quartile. With the exception of Burwood, all the council areas have the greatest proportion of households in this quartile. The highest income group for Burwood is the lowest income group, which amongst other factors reflects in the index of socioeconomic disadvantage (discussed below).

Burwood and Strathfield have the flattest income profiles with a more even spread of households across the income groups.

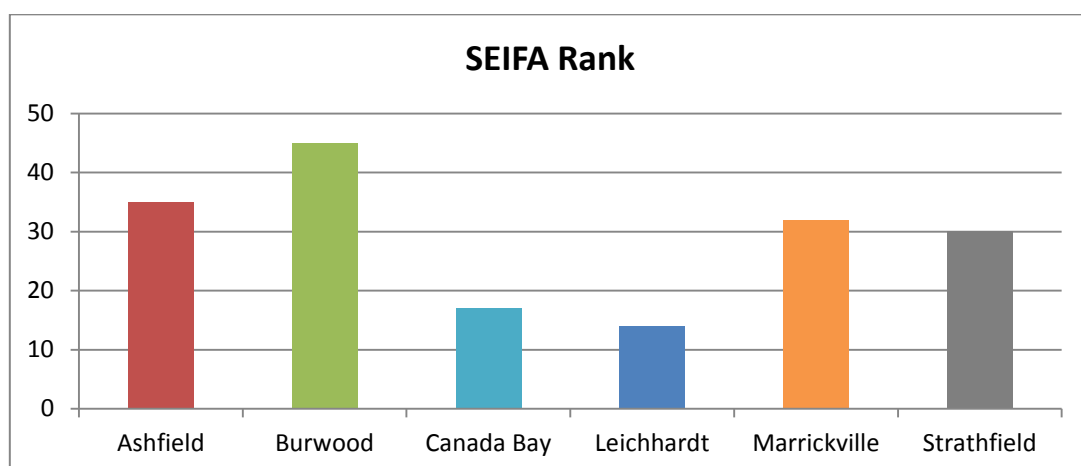


8. SOCIOECONOMIC DISADVANTAGE

The SEIFA Index of Disadvantage measures the relative level of socio-economic disadvantage based on a range of census characteristics. It is a good place to start to get a general view of the relative level of disadvantage in one area compared to others and is used to advocate for an area based on its level of disadvantage.

The index is derived from attributes that reflect disadvantage such as low income, low educational attainment, high unemployment, and jobs in relatively unskilled occupations.

Lower scores on the index reflect higher levels of disadvantage, where higher scores indicate greater advantage. The SEIFA index provides a ranking of all 152 NSW council areas, as follows, where 1 is the most advantaged area.



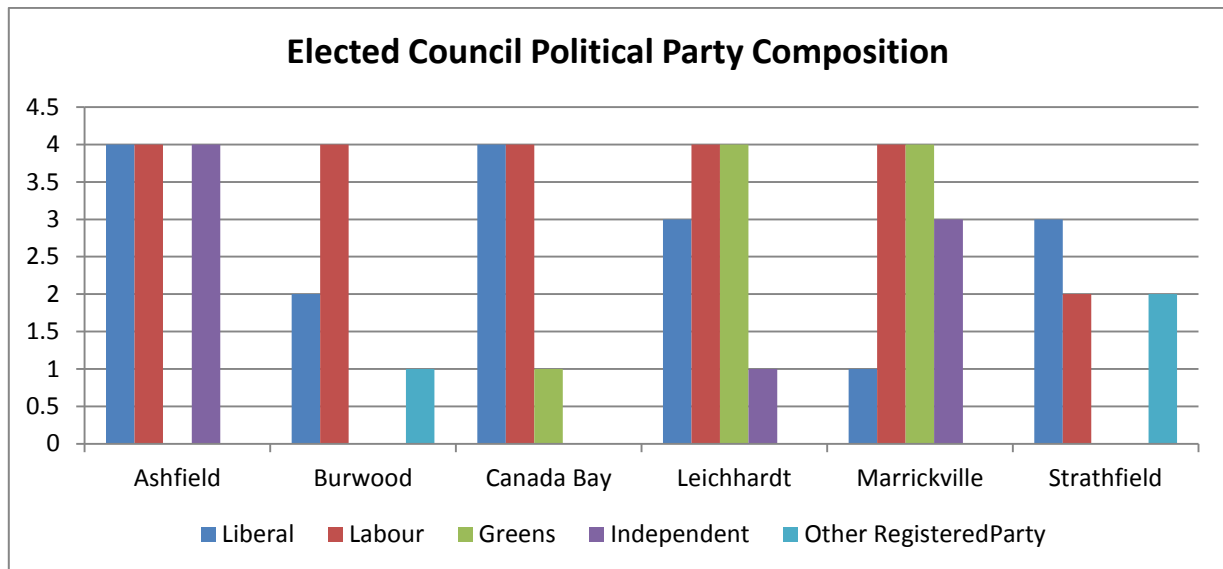
Leichhardt is ranked 14 and the City of Canada Bay 17 in New South Wales, indicating that these are areas of socioeconomic advantage. Burwood is the lowest ranked area in the inner west at 45.

This puts all the inner west areas in the top third of the state, and Leichhardt and the City of Canada Bay around the top 10%.

9. POLITICAL PARTY COMPOSITION

9.1 Local government

The composition of each elected council within the inner west is presented below:



There are some notable differences across the inner west:

- Ashfield and the City of Canada Bay are both equally dominated by Liberal and Labour Councillors
- Leichhardt and Marrickville are both equally dominated by Labour and Greens Councillors
- Burwood stands alone as a strongly Labour council
- Strathfield is a Liberal dominant council with equal representation from Labour representatives and small numbers of other registered parties (Strathfield focused)
- Leichhardt has a stronger Liberal presence than Marrickville, which is more represented by Independent Councillors

9.2 State and federal government

	State Electorate	Party	Federal Electorate	Party
Ashfield	Strathfield, Summer Hill, Canterbury	Labour/Liberal/ Labour	Grayndler	Labour
Burwood	Strathfield	Liberal	Reid, Watson	Liberal, Labour
City of Canada Bay	Strathfield, Drummoyne	Liberal	Reid	Liberal
Leichhardt	Balmain	Greens	Grayndler	Labour
Marrickville	Heffron, Summer Hill	Labour	Grayndler	Labour
Strathfield	Strathfield, Lakemba	Liberal/Labour	Reid, Watson	Liberal, Labour

Whilst there is a diversity of political parties represented across the inner west, there is a predominance of Liberal State MPs and a more even spread amongst the Federal representatives.

10. LOCAL ECONOMIC FEATURES

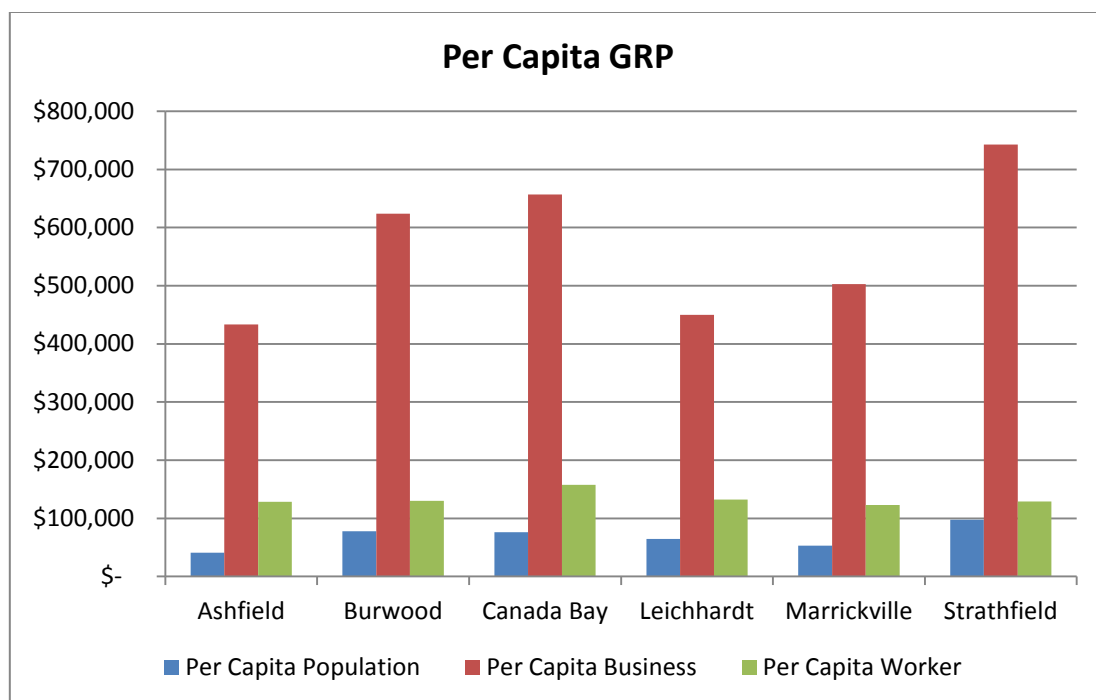
10.1 Gross regional product

The gross regional products for each of the inner west council areas are:

Ashfield	\$ 1,680,000,000
Burwood	\$ 2,520,000,000
City of Canada Bay	\$ 5,740,000,000
Leichhardt	\$ 3,320,000,000
Marrickville	\$ 4,010,000,000
Strathfield	\$ 3,410,000,000

In gross terms, the City of Canada Bay has the largest total economy, followed by Marrickville. Ashfield's is the smallest.

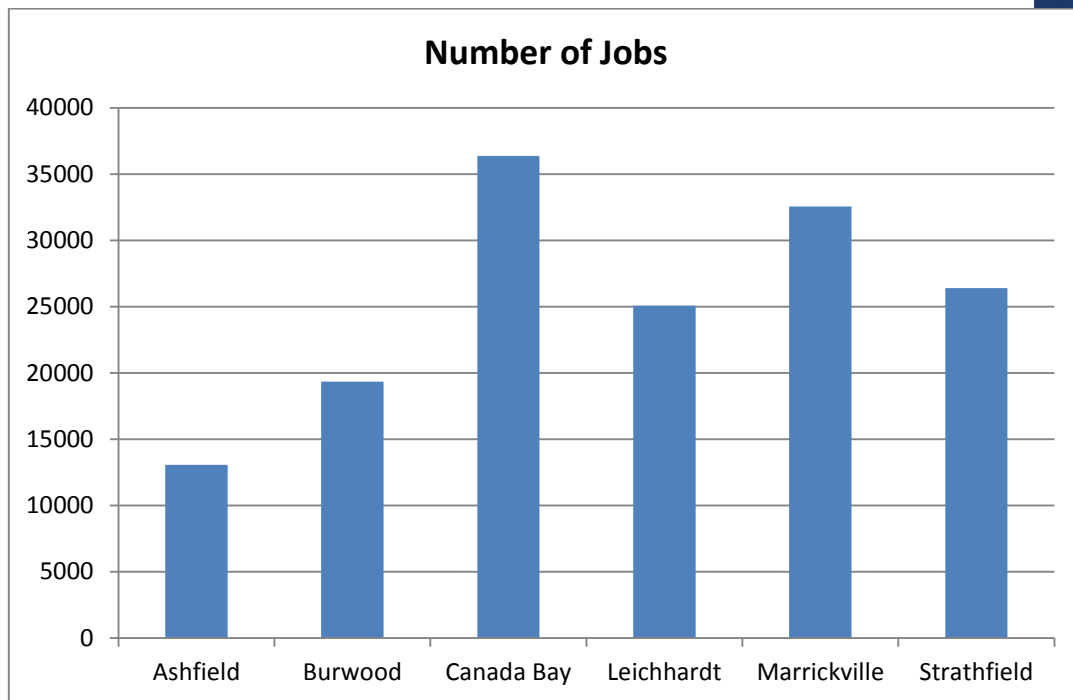
When this is considered in per capita terms, the following can be seen:



For its population size, Strathfield has a relatively large economy, with almost \$750,000 GRP per head of population, \$100,000 per business and \$130,000 per worker. In these relative terms, the City of Canada Bay is also a high value economy. Ashfield is again the smallest economy.

10.2 Size of workforce

The number of jobs located within each area is as follows:



The City of Canada Bay and Marrickville are the highest employment areas, with Ashfield and Burwood the smallest.

10.3 Knowledge Economy

The knowledge economy is an indicator of areas where there are high levels of innovation, creativity and knowledge based activity. The *Similarities and Differences* report identifies these areas as characterised by a higher number of patents; employment in the creative arts; post-school qualifications in society, culture or the creative arts; same sex couples; proportion of jobs in professional and scientific services; and post graduate degrees.

Marrickville, Leichhardt and Ashfield are in a cluster of councils notable for their “high arts activity, high professional employment and high level of postgraduate qualifications, a moderately high proportion of same-sex couples and moderate patent application rates... The cluster has no members outside the inner metropolitan area. On the indicators considered, at least, the knowledge economy in New South Wales is synonymous with global Sydney”.

The report singles out the Marrickville LGA as containing peak arts employment in NSW, at 1.7%. A report on cultural occupations prepared by Profile ID for Marrickville Council, supports this showing that in 2011, 8.2% of Marrickville’s resident population work in cultural occupations, compared to Greater Sydney’s 5.5%. In terms of local employment, 11.2% of Marrickville’s workers are employed in cultural occupations, compared to Greater Sydney’s 5.3%, and Marrickville has clear industry specialisations in printing, film and video, music and sound recording, design, photography and creative and performing arts. Marrickville (and Leichhardt and Waverley) was identified as the second highest LGA with a proportion of residents with post school qualifications in society, culture or creative arts, just behind Woollahra’s 35%

11. INTERDEPENDENCE AND ECONOMIC RELATIONSHIPS

According to the similarities and differences study, New South Wales is held together by the relationship between each LGA and the City of Sydney as a provider of governmental and financial services, as well as retail, entertainment and other services. Patterns of demand in the inner metropolitan areas converge on the City of Sydney.

Judging by retail employment, despite mall competition the City of Sydney still occupies the peak of the retail hierarchy. Within the extended metropolitan area the following relationships may be observed. The prominence of Sydney is mirrored by the relative underdevelopment of retailing in Woollahra, Randwick and the inner western suburbs generally.

Within the metropolitan area, retail employment is well above state average in relation to disposable income in a number of inner west council areas, including:

- the prominence of Auburn and Strathfield in retailing appears to be due to backup services, or may be related to Olympic Park
- Burwood has a high ratio of retailing employment to disposable income, drawing custom from nearby low-retail suburbs such as City of Canada Bay and Canterbury.

This report finds that Burwood has some status as an independent centre based on the pattern of economic relationships.

11.1 Metro commuter clusters

The similarities and differences report identified the following clusters in which the inner west council areas are grouped:

- Inner Ring - >35% of resident workforce employed in City of Sydney (Leichhardt, Marrickville)
- Middle Ring – 20<35% employed in City of Sydney (remainder)

11.2 Workers' place of residence

The most prominent places of residence for people employed in the inner west are:

	First	Second	Inner West Total
Ashfield	Ashfield 24.6%	Canterbury 8.5%	44.9%
Burwood	Burwood 14.4%	Marrickville 6.1%	35.4%
City of Canada Bay	City of Canada Bay 24.1%	Ryde 5.6%	38.9%
Leichhardt	Leichhardt 27.1%	Marrickville 6.1%	45.8%
Marrickville	Marrickville 24.4%	Canterbury 11%	31.1%
Strathfield	Strathfield 10.3%	Canterbury 5%	15.6%

The highest proportion of jobs in each area are taken by residents of that area, however Burwood and Strathfield have far lower proportions than the other inner west areas. Canterbury is a relatively high provider of employees to the inner west. Jobs in the other council areas are performed by residents to the rate of around one quarter.

Overall the workers in the inner west also reside in the Inner West at quite differing rates, from as high as 46% and 45% for Leichhardt and Ashfield, down to 16% for Strathfield.

This needs to be considered in conjunction with the type of jobs that are in each area to understand these differences.

11.3 Residents' place of work

Residents' place of work is consistent with the dominance of central Sydney as an employment hub:

	Top Place of Work	Live and Work in Area	Inner West Total
Ashfield	Inner Sydney 19%	11.8%	23.4%
Burwood	Inner Sydney 15.7%	14%	24.2%
City of Canada Bay	Inner Sydney 17.9%	17.1%	28.6%
Leichhardt	Inner Sydney 26%	17.2%	21.4%
Marrickville	Inner Sydney 20.3%	13.6%	17.6%
Strathfield	Inner Sydney 14.3%	12%	21.8%

The City of Canada Bay and Leichhardt have the highest rates of employment containment (residents living and working in the same area), with Ashfield and Strathfield the lowest. Overall, the rate of employment containment in the Inner West is generally around one-fifth to one-quarter for each local area, with the outliers being Strathfield at 18% and the City of Canada Bay at 29%.

11.4 Migration patterns

The following migration patterns occurred within each council area between 2006 and 2011:

	Highest Net Gains	Highest Net Losses
Ashfield	1. <i>Leichhardt</i> 2. <i>Sydney</i> 3. <i>Marrickville</i>	1. <i>Canterbury</i> 2. <i>City of Canada Bay</i> 3. <i>Parramatta</i>
Burwood	1. <i>Ashfield</i> 2. <i>Marrickville</i> 3. <i>Sydney</i>	1. <i>Strathfield</i> 2. <i>Parramatta</i> 3. <i>City of Canada Bay</i>
City of Canada Bay	1. <i>Leichhardt</i> 2. <i>Sydney</i> 3. <i>Ashfield</i>	1. <i>Ryde</i> 2. <i>Ku-ring-gai</i> 3. <i>Auburn</i>
Leichhardt	1. <i>Sydney</i> 2. <i>Woollahra</i> 3. <i>North Sydney</i>	1. <i>City of Canada Bay</i> 2. <i>Ashfield</i> 3. <i>Marrickville</i>
Marrickville	1. <i>Sydney</i> 2. <i>Randwick</i> 3. <i>Leichhardt</i>	1. <i>Canterbury</i> 2. <i>Rockdale</i> 3. <i>Bankstown</i>
Strathfield	1. <i>Burwood</i> 2. <i>Canterbury</i> 3. <i>Ashfield</i>	1. <i>Auburn</i> 2. <i>Parramatta</i> 3. <i>Blacktown</i>

The following observations can be made:

- Leichhardt is taking new residents from non-inner west areas, but their residents tend to move within the inner west
- Ashfield's new residents are mostly from other inner west council areas, and their residents tend to move further west to Canterbury and Parramatta, with the exception of the City of Canada Bay
- Ashfield and Marrickville lost the greatest proportion of their residents to Canterbury
- Strathfield gains residents from within the inner west, primarily from Burwood. This is the only area which has the highest net gains from Burwood
- Strathfield residents who leave the area tend west as far as Parramatta and Blacktown
- Overall more of the net gains are from within the inner west than other areas

11.5 Relationship clusters

Four of the general indicators of neighbourly relationships mentioned in above allow LGAs to be compared without reference to their particular neighbours. They are the commuterbalance (jobs within the LGA in relation to the number of resident jobholders), the proportion of workers working within the same LGA, retail job generation in relation to resident income and short-distance migration.

12. SERVICING

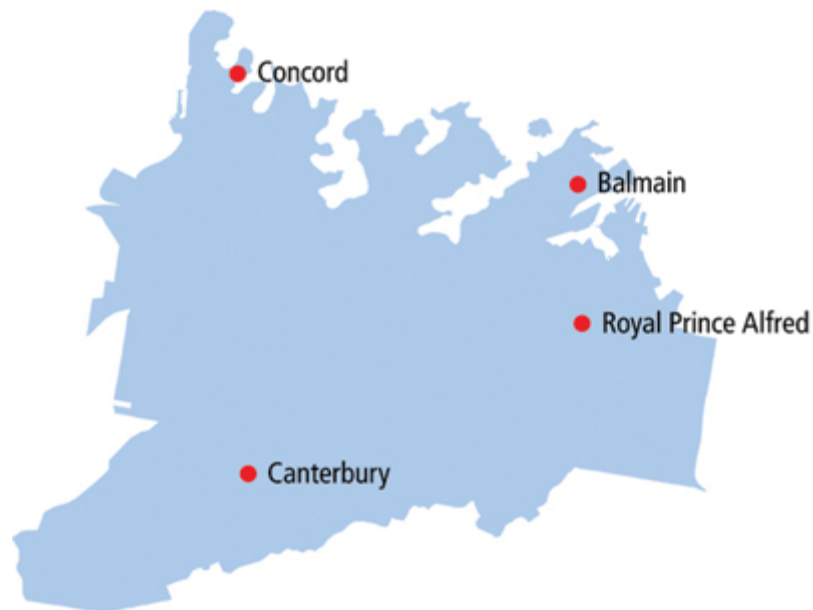
12.1 State and federal government services

The inner west is typically grouped within the same region for the purposes of State and Federal service delivery and strategic planning. Examples include:

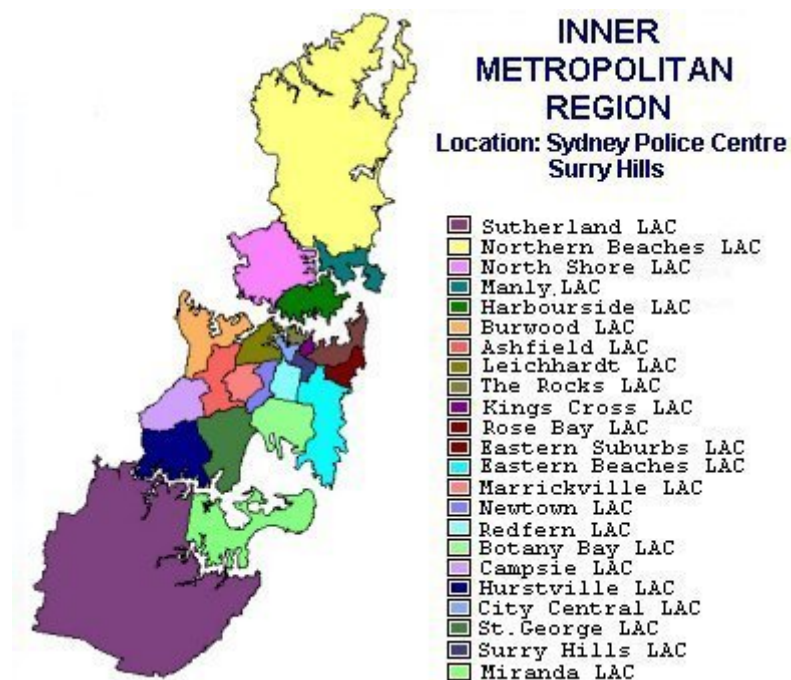
1. Medicare Local, Inner West Sydney



2. NSW Health, Sydney Local Health District

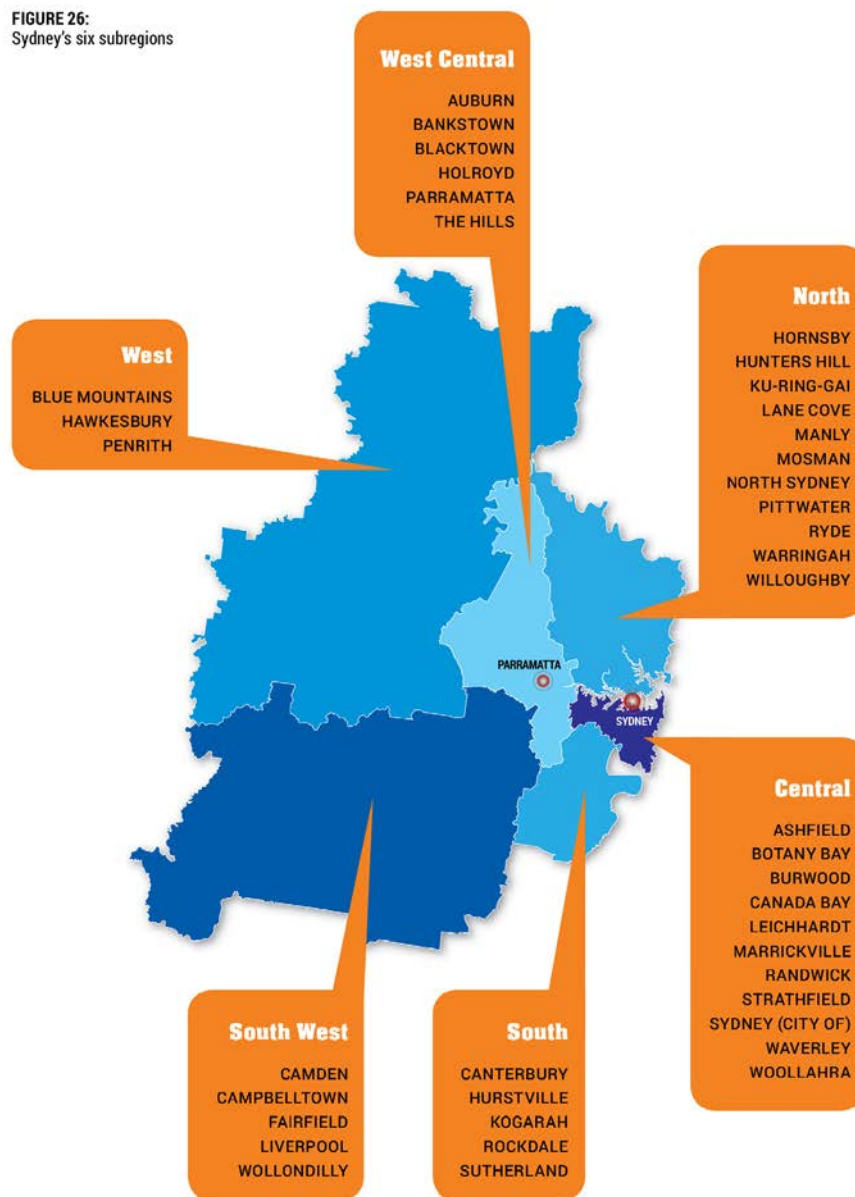


3. NSW Police, Inner Metropolitan Region



4. NSW Metropolitan Strategy, Central Subregion

FIGURE 26:
Sydney's six subregions



12.2 Local government services

A snapshot analysis of one inner west council area shows that council services are used by non-residents, and are not restricted to local government boundaries. These include child care services, libraries, recreation centres and sporting clubs (of which around one-third of members are non-residents).

All of the inner west councils deliver a range of services that have broad appeal and benefit across the region, including events, waste services, and the range of community and recreation services and facilities.

APPENDIX I Shared Services – Costs and Benefits

		Short	Medium	Long
		years 0 -3	year 4- 5	ongoing
Works and tech Services	Harmonisation	-500,000		
	Accommodation/Signs/Branding	-500,000		
	IT	-2,000,000		
	Transitional Body	-1,000,000		
	Staff Savings		24,300,000	60,750,000
	Plant Rationalisation	6,600,000		
	Asset Rationalisation			
	Contacts	6,132,000	2,726,000	23,000,000
	Sub total	8,732,000	27,026,000	83,750,000
Back of House	Harmonisation	-500,000		
	Accommodation/Signs/Branding	-500,000		
	IT	-70,000,000		50,000,000
	Transitional Body	-2,000,000		
	Staff Savings		17,200,000	43,000,000
	Sub Total	-73,000,000	17,200,000	93,000,000