



What this means for Willoughby City Council

COUNCILLOR WORKSHOP – 2 MARCH 2015



Purpose

To discuss

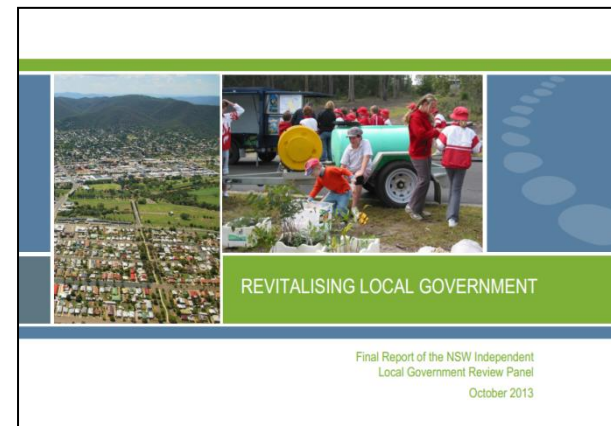
- options that will inform the preparation of a report to Council on 9 March 2015 that establishes Council's position in relation to the preferred Fit For The Future options
- the nature of community engagement on those options, and
- communications with adjoining Councils and the media

The history

Independent Review Panel established
Report: Revitalising Local Government

Principles:

- Democratic process to serve communities equitably
- Capacity to be a genuine partner
- Fresh start, new era of local governance



NSW Government's response to the
Revitalising Local Government report:

Fit for the Future Blueprint



The rationale

“Local councils have a vital role in shaping communities and helping them grow. But the system of local government is not working as well as it should be. More than one-third of the State’s councils are facing financial problems.

*Many of our **growing suburbs** are **constrained by boundaries** that date back to the horse and cart days, and layers of **red tape and regulations** are making it hard for people to do business, build homes and receive the services they need. Something needs to change.”*

The aims

- sustainability
- strategic capacity
- reducing infrastructure backlog
- fiscal responsibility

The method

The aims will primarily be achieved by:

- reducing the number of councils in NSW, especially in the metropolitan area

Amalgamations are not new thinking



1910
324 Councils



2015
152 Councils



1993
210 Councils



2015
79 Councils



2007
156 Councils



2015
77 Councils

The numbers

If all metropolitan councils agree to the proposed amalgamations, the number of councils in Sydney will go from

41



18

The carrot

Financial incentives for councils that become

Fit for the Future

- \$10.5 million for each newly merged council (of 2 or more councils) with a population of 250,000
- an additional \$3 million for each additional 50,000 in population above 250,000

Plus

Future undefined access to cheap finance/
borrowing for infrastructure

and

*“more say in sub-regional planning for Sydney and
greater involvement in planning determinations”*

What makes a council 'fit for the future'?

A fit council:

- is sustainable
- is efficient
- effectively manages infrastructure and delivers services for the community
- has the scale and capacity to engage effectively across community, industry and government

BUT....



First hurdle is scale and capacity

While the NSW Government outlines four criteria, the starting point is consideration of scale and capacity

“Councils will not need to address the other three criteria until they have made the changes to have the right scale and capacity”.

The benchmark to achieve the scale and capacity criteria is:

“the scale and capacity consistent with the recommendation of the Independent Panel”

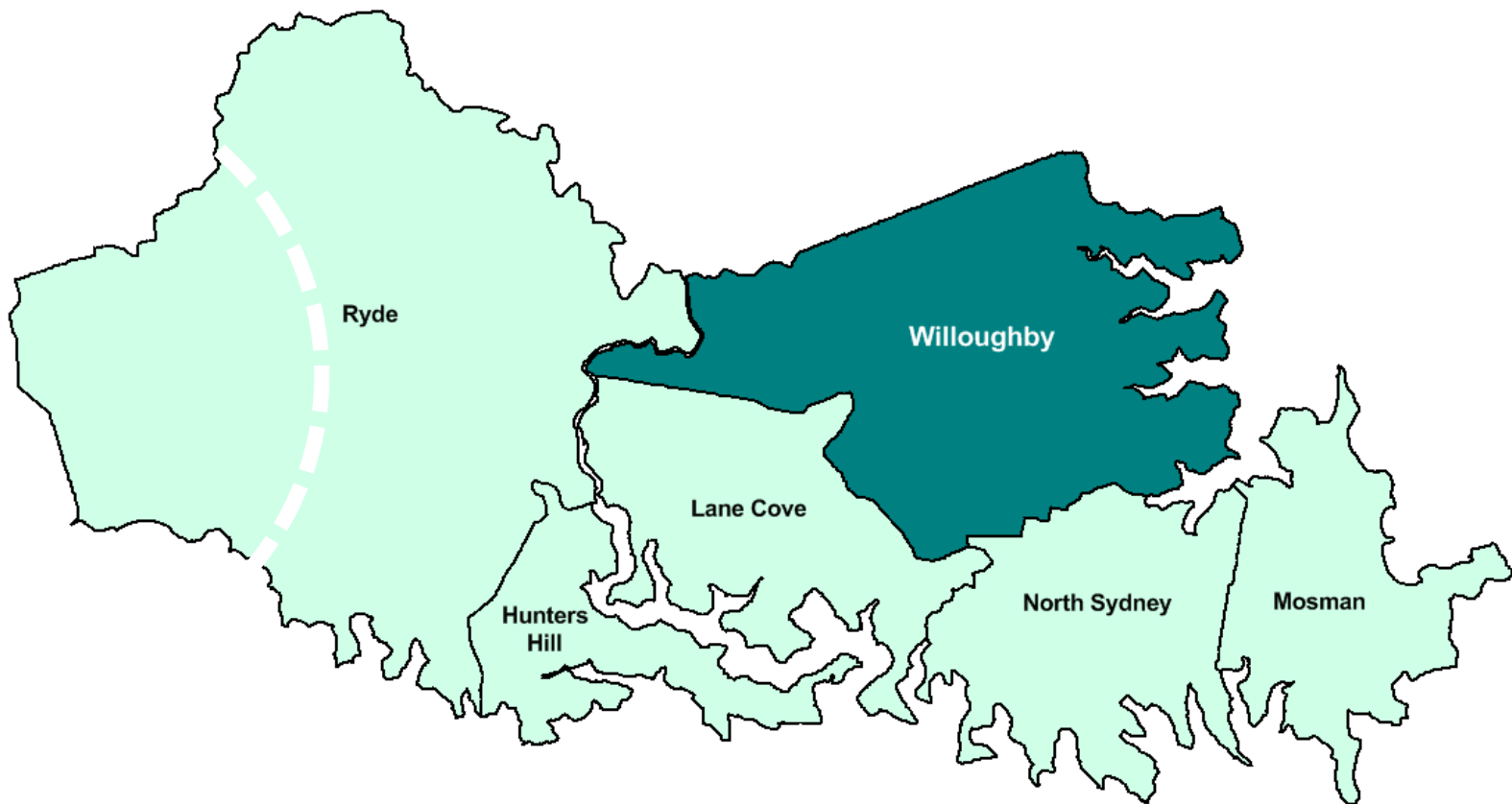
Panel's preferred option

To achieve scale and capacity, the Independent Review Panel's preferred option is that Willoughby City Council amalgamates with:



Mosman
COUNCIL





What does this mean?

According to the State Government,
Willoughby City Council is not
'fit for the future' as a stand alone entity.

How we look now

Willoughby City Council – Fit for the Future Criteria			
Year	2012	2013	2014
Operating Performance Ratio >1	-6.84	0.60	11.81
Own Source Revenue>60%	87	83	82
Renewal Ratio >1	0.56	0.44	0.67
Infrastructure Backlog <2%			6.0
Asset Maintenance Ratio >1	0.62	0.80	0.62
Debt Service Ratio>0<20	8.1	9.4	5.5

- Council has submitted an application to IPART for a Special Rate Variation. If successful, the application will mean:
 - Renewal ratio will meet criteria starting 2022/23
 - Infrastructure backlog will meet criteria in 2021/22
 - Asset maintenance ratio will improve, however not meet, the Fit for the Future criteria within the existing Long Term Financial Plan

What would the merged entity look like?

Council	Current Population
Hunter's Hill	14,491
Mosman	29,983
Lane Cove	33,996
North Sydney	69,248
Willoughby	73,155
Ryde (2/3 of 112,545)	75,030
Combined	295,903

Average Rates* (last reported comparative data)

	Hunter's Hill	Lane Cove	Mosman	North Sydney	Ryde	Willoughby
Average Ordinary Residential Rate (\$)	1379.15	1,130.89	1,181.45	513.40	645.62	828.97
Average Ordinary Business Rate (\$)	863.51	4,157.15	2,593.59	2,916.57	6,992.46	5,941.70
Average Domestic Waste Charge (\$)	416.01	370.52	432.79	262.00	363.38	439.10

Source: Office of Local Government – Comparative Data - Individual Council Reports 2012/13

Council Debt – at 30 June 2014

	North Sydney	Lane Cove	Hunter's Hill	Ryde	Mosman	Willoughby	Total
Current	Nil	Nil	57,000	793,000	1,880,000	3,695,000	6,425,000
Non-Current	Nil	Nil	161,000	4,822,000	9,086,000	48,876,000	62,945,000
Total	Nil	Nil	218,000	5,615,000	10,966,000	52,571,000	69,370,000

Source: Individual Council's Annual Statement of Financial Position 2013/14

Elected Representation

	Hunter's Hill	Mosman	Lane Cove	North Sydney	Willoughby	Ryde
Population	14,491	29,983	33,996	69,248	73,155	112,545
Councillors	7	7	9	13**	13	12
Wards	2	0	3	4	4	3
Popularly Elected Mayor	Yes	Yes	No	Yes	Yes	No
Councillors per Population	1:2,070	1:4,283	1:3,777	1:5,327	1:5,627	1:9,378

**Note the 2012 local referendum result will reduce the number of North Sydney Councillors to 10 from 2016]

Total population of proposed amalgamated entity: 295,903

If proposed entity has 15 councillors representation would be 1:19,727

Other considerations

Community engagement and representation

Genuine, diverse and regular engagement methods are required to ascertain a broad cross section of community sentiment on options. Options could include community boards.

Time for planning

Adequate time for due diligence of options is a critical success factor.

Time for realising benefits

Depending upon the starting point, benefits may not be realised for 3-10 years.

Other considerations

Service provision

Efficiency savings from scale are utilised to provide equitable services across an area rather than deliver savings to rates. The service mix can change through decisions of a new council.

Increased Costs

Amalgamation costs will be significant and current potential merger options will not meet the 250,000 residents threshold for the Government's incentives.

What are councils expected to do?

1. Assess themselves against the Fit for the Future criteria
2. Prepare a submission by 30 June 2015 which outlines how they will become Fit for the Future (i.e achieve scale and capacity by putting forward a merger proposal along with other councils).

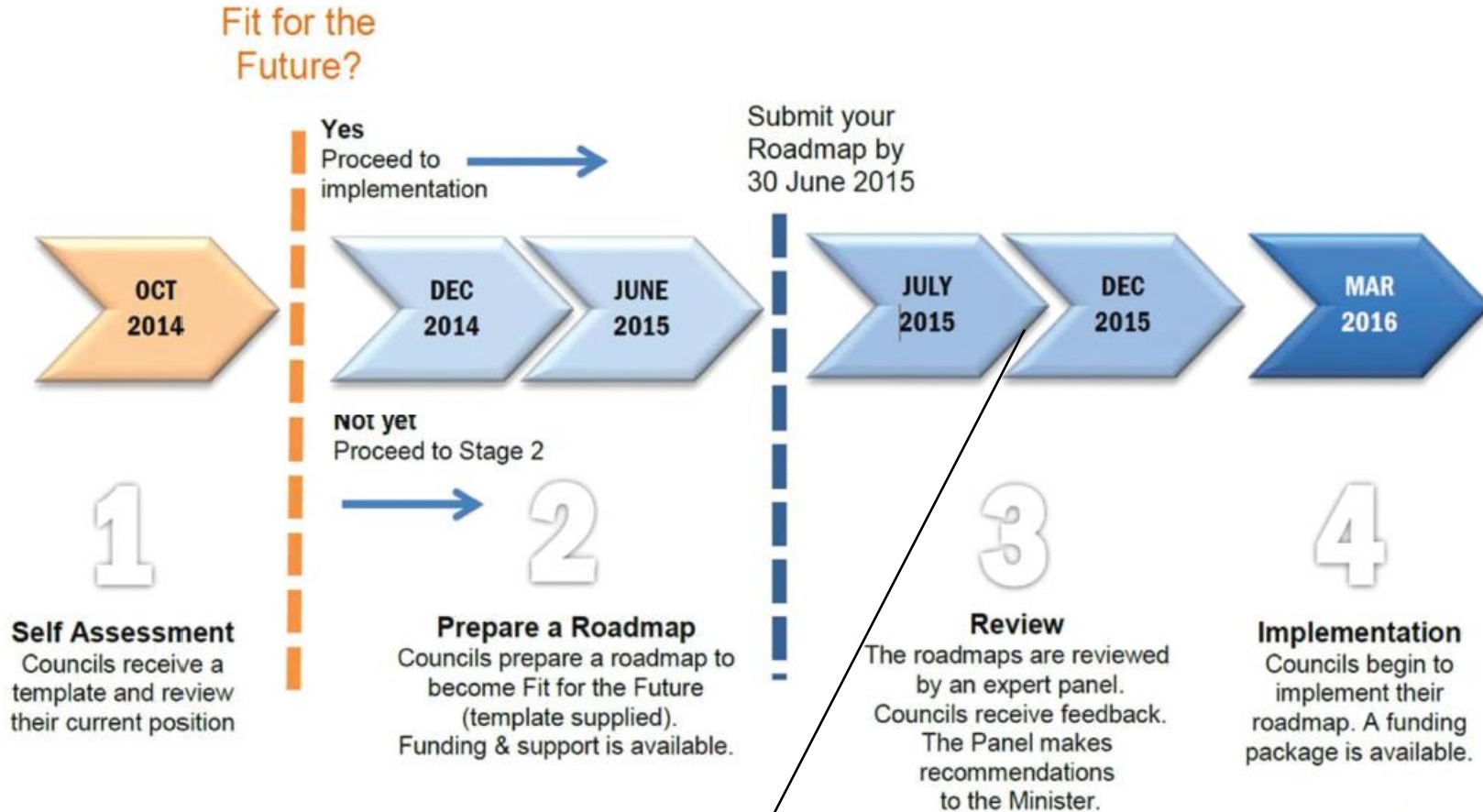
For this to happen

Willoughby City and the other councils would need to agree to merge

The councils would then need to:

- determine the financial and non-financial benefits of the merger, including costs involved
- consult their communities and staff
- highlight expected improvements in performance a merger might deliver
- lodge the documentation with the State Government by 30 June 2015

Timeline



Key Date: *October 2015* – The expert panel is expected to inform councils of its decision by this date

What are the adjoining councils doing?

Council	Position
Hunter's Hill	Would support a collaboration model for a joint submission for Northern Sydney councils that retains HHC's autonomy. Oppose forced amalgamations.
Lane Cove	Has written to Willoughby Council to enquire if Willoughby Council will participate in the investigation of a modified Joint Organisation. Opposes forced amalgamations with any other council.
Mosman	Conducting community consultation on three options – 1) Stand Alone; 2) The Panel's recommended merger; 3) Merger with North Sydney or Manly.
North Sydney	Resolved to stand alone but have also written to all Councils in the region to ascertain if there is interest in having discussions with a view to creating a new entity to satisfy the Fit for the Future criteria.
Ryde	Has written to Willoughby Council to enquire if Willoughby Council will participate in the investigation of a modified Joint Organisation. Rejects merger proposal and resolved to stand alone.
Ku-ring-gai	Ku-ring-gai and Hornsby in discussions to determine possibility of merging. Has written to Willoughby Council to ascertain whether Willoughby Council is open to discussions regarding amalgamations.
Hornsby	Hornsby has a pro-amalgamation position and is in discussion with Ku-ring-gai to determine possibility of merging.

What are the options?

1. Stand Alone

Consequence: Will not meet scale and capacity benchmark

2. Pursue recommended merger

Note: All councils need to agree for a voluntary merger.

3. Offer the Government an alternative

Alternative merger plans, need to be:

“Broadly consistent with what the Panel recommended”, and all affected councils would need to agree.

A ‘non-conforming’ Joint Organisation has also been proposed.

Joint Organisations

The Independent Review Panel recommended Joint Organisations as an option for councils in metropolitan Sydney.

The JO delivered strategic capacity through delegation of significant functions to a governing body ie Mayors+

Joint Organisations would allow councils within the region to establish regional priorities for infrastructure, strategic planning and other joint activities.

However this option has been excluded by the Office of Local Government for metro Sydney but is being trialled in rural NSW.

It is unlikely the OLG would accept a proposal by councils in metropolitan Sydney to form a Joint Organisation.

Joint Organisation Proposal

Ryde, Lane Cove and Hunters Hill are proposing a JO and have invited Willoughby and other Councils to consider participating in investigations.

The potential of the Joint Organisation is variously described as:

- joint projects, planning and service provision (Lane Cove)
- matters such as subregional planning and infrastructure planning, community and cultural planning, economic development and tourism (potentially including centres of excellence), joint service initiatives such as waste (Ryde)
- ...“to meet the requirement for greater scale and capacity”...(Hunter’s Hill, Lane Cove)

Potential Issues:

- Added layer of governance
- Securing commitment to serious reform and delegation
- Duplication of sub-regional planning and NSROC
- Amalgamation Precursor
- Unlikely to meet scale and capacity criteria
(Whole of Ryde, Lane Cove and Hunter’s Hill is approx. 161,000; with Willoughby approx. 234,000).

Alternative – Partial Merger

The Government does not define what scale and capacity means except to say:
“Demonstrate strong organisational and regional capacity to mobilise resources to engage effectively across community, industry and government.”

And

“Has the scale and capacity consistent with the recommendations of the Independent Panel”

However...

Scale and capacity seems to mean having a population of around 250,000 based upon the State's incentives.

On this basis, other merger options will not meet this scale.

Scale

Willoughby	73 155
Willoughby + North Sydney	143 403
Willoughby + Hunter's Hill	87 646
Willoughby + Lane Cove	107 151
Willoughby + Mosman	103 138
Willoughby + North Sydney + Ryde (part)	217 433
Willoughby + North Sydney + Ryde (all)	254,948

Council	Current Population
Hunter's Hill	14,491
Mosman	29,983
Lane Cove	33,996
North Sydney	69,248
Willoughby	73,155
Ryde (2/3 of 112,545)	75,030
Combined	295,903

Another option

Other options which may be considered outside of the Independent Panel's recommendations include:

1. Willoughby + Ku-ring-gai

(Pop. 73 155 + 119 027 = 192 182)

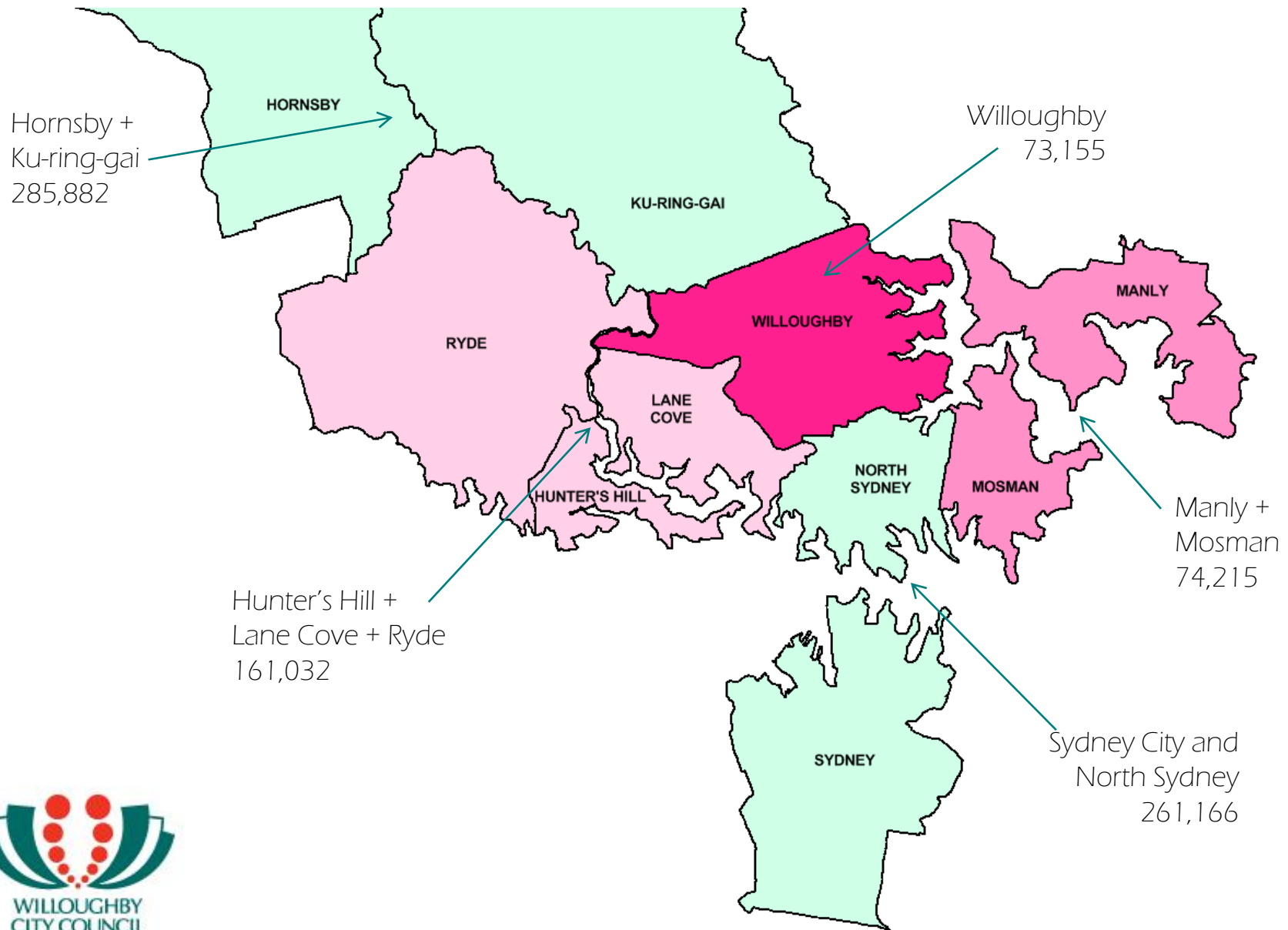
Note: Discussions have commenced between Ku-ring-gai and Hornsby

Ku-ring-gai

	Ku-ring-gai	Willoughby City Council
Population	119,027	73,155
Councillors	10	13
Wards	5	4
Popularly Elected Mayor	No	Yes
Councillors per Population	1:11,902	1:5,627
Average Ordinary Residential Rate (\$)	\$600.28	\$828.97
Average Ordinary Business Rate (\$)	\$3,769.62	\$5,941.70
Average Domestic Waste Charge (\$)	\$353.42	\$439.10
Current Debt	\$4,397,000	\$3,695,000
Non-Current Debt	\$39,335,000	\$48,876,000
Total Debt	\$43,732,000	\$52,571,000



Scenarios & Scale



Scenarios & Scale

Willoughby	73, 155
Mosman + Manly	74, 215
Ryde + Lane Cove + Hunter's Hill	161,032
North Sydney + Sydney	261,166
Hornsby + Ku-ring-gai	285,882

Council	Current Population
Hunter's Hill	14,491
Mosman	29,983
Lane Cove	33,996
Manly	44,232
North Sydney	69,248
Willoughby	73,155
Ryde (all)	112,545
Ku-ring-gai	119,027
Hornsby	166,855
Sydney	191,918



Strategy – for discussion

1. Prepare Willoughby (stand alone)
Improvement Proposal – base case
2. Decline to be part of Joint Organisation
with Lane Cove, Hunter's Hill and Ryde
3. Write to and meet with North Sydney, Ku-
ring-gai and Hornsby to ascertain their
interest in discussions, report back to
Council
4. Following response, determine FFTF
options for consultation with the
community

Consultation

1. Survey, and
2. Citizens' Panel
3. Community Meetings?
4. Regional communications or WCC communication?
5. Prior and/or post election?

Lobbying – For discussion

1. LGNSW State Elections
Priorities Toolkit
2. Other?

Next Steps

- Report to 9 March 2015 meeting of Council outlining discussion at workshop, and other relevant information, in order to establish Council's formal position regarding:
 - Fit for the Future response
 - Communication to/with other councils
 - Format for community engagement

DISCUSSION