Submission to IPART

CITY OF SYDNEY COUNCIL
FIT FOR THE FUTURE

CITY OF SYDNEY

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Image: Prince Alfred Park Pool

Executive Summary

The City of Sydney is a leading council that delivers high quality services and infrastructure while keeping rates and charges low. It has exceptional demonstrated capacity and a proven ability to plan, fund and deliver world-class services and infrastructure that meet the economic, social, cultural and environmental needs of our city and its communities.

1.

1.1 A city government with scale and capacity

The City of Sydney is a leading council that delivers high quality services and infrastructure while keeping rates and charges low. It has exceptional demonstrated capacity and a proven ability to plan, fund and deliver world-class services and infrastructure that meet the economic, social, cultural and environmental needs of our city and its communities.

Sydney is Australia's global city. It consistently ranks highly on major city indices across a range of liveability, economic, business and tourism criteria. The City of Sydney local government area is the focus for much of that activity and the economic engine room of the state.

Each day, there are an estimated 1.2 million residents, workers and visitors in our local government area. The area generates $108 billion worth of economic activity annually, more than 30% of Metropolitan Sydney's economic activity and almost a quarter of the NSW state gross domestic product (GDP).

In 2014 the City of Sydney processed $3.95 billion of development, over four times more than the nearest council. We approved over 1,800 applications. We've consistently been in the top ten for development application assessment times while processing the highest value and some of the highest numbers of complex applications. In the past decade, the City approved development worth $24 billion.

The City of Sydney is one of the few local government areas in NSW to meet and exceed the housing and jobs targets set by the NSW Government. In the five years to 2012:

- **The number of private dwellings grew 9.2%, from 89,749 to 98,012.** There are around 17,600 dwellings currently approved, but not yet completed.
- **Employment grew 13.6%, from 385,421 to 437,727 jobs,** around 40% of all metropolitan jobs growth. Much of this jobs' growth is in the inner village areas, where new creative and digital businesses are clustering in line with global trends.

In 2007-2008, the City engaged with thousands of residents and businesses as part of the largest community consultation in the City's history. The result was Sustainable Sydney 2030 – a comprehensive, visionary plan that guides our work. Its directions and objectives are embedded in our Integrated Planning and Reporting Program, four year delivery program, annual operational plan and budget and 10-year financial plan.

Sustainable Sydney 2030 recognises that exceptional liveability is the driver for prosperity and economic growth for global cities—the places where people want to live are the places where they want to work and to set up business. It sets clear strategies to cut carbon emissions by 70% by 2030, increase transport options, build stronger communities, foster a diverse cultural life and make the city an attractive place to live, work, study in and do business.

- Details on the City's Sustainable Sydney 2030 strategy and work are in sections 2.1.1 – 2.1.2.

1.2 A sustainable City

The City of Sydney's demonstrated effective governance, strong finances and skilled personnel are critical for securing Sydney's continued transformation as a modern global city and to capitalise on unprecedented development investment potential over the next decade.

The City is in a strong financial position due to over a decade of stable progressive government, professional corporate administration, prudent financial management and strategic investments. In 1993, the government considered sacking the council because of its poor financial state.

Our external auditors PWC and the NSW Government's TCorp have verified the City's strong financial position. TCorp confirms "strong operating surpluses, strong levels of liquidity, good financial flexibility and no debt." It assessed our finances as "strong" with a "positive outlook"—the only NSW council with this rating.

The City's long term plan protects this strong financial position to continue delivering high quality services, facilities, projects and infrastructure agreed with our communities in Sustainable Sydney 2030. Our 10-year financial plan includes strong operating surpluses to fund nearly $2 billion worth of capital projects.

The City supports the widely held view that the Fit for the Future benchmarks are not a balanced assessment of financial performance or adequate reflection of local government sustainability.

- Details on the City's financial strength and capacity are in sections 2.2, including a response to the Fit for the Future benchmarks.

$4B

In 2014 the City of Sydney processed $3.95 billion worth of development, over four times more than the nearest council.

1.3 Period of unprecedented investment

The local government area is expected to experience unprecedented development investment over the next decade, subject to the City of Sydney's continued efficient delivery of infrastructure and professional expert services, especially in planning and approvals.

The CBD will be transformed by 2020 through the **CBD Transport and Access Plan, including new light rail transport infrastructure.** This project is based on City of Sydney needs assessment, feasibility studies and consultation. The City is providing $220 million in funding and partnering with the state to deliver the project. For further information, see Attachment 4.

The new **Green Square Town Centre** is transforming the City's south with development worth around $8 billion. This includes City investment of over $800 million for infrastructure including a new town centre, library, plaza, aquatic centre, sports field and other community facilities. City expertise, research and funding revitalised this moribund project to deliver development for over 55,000 residents and 20,000 jobs. For further information, see Attachment 5.

Based on current trends, $30 billion to $40 billion will be invested in city development over the next decade. There is $12 billion of investment currently in assessment, approved or under construction. The City is now working with developers on ten projects over $100 million, including five over $250 million.

Over the next decade, the City's residential population is expected to grow by more than 55,000 people. Construction of 2.4 million square metres of new and renewed commercial space will bring around 95,000 new workers.

The City has high-level expertise to develop strategic policy, engage with developers, and deliver public benefits like open space, street and footpath improvements, child-care centres and cultural facilities. Our policies promote design excellence, street level commerce, fine grain frontages, new parks and plazas, residential diversity, high quality public domain materials, and green travel plans for major developments.

- Further information on the current economic and development environment is in section 2.1.3.

1.4 Amalgamations are disruptive without demonstrated benefit

The financial benefit of an amalgamation is marginal compared to the risks of a loss of business and development confidence due to an uncertain investment climate and disruption to city operations and critical infrastructure projects.

The risks are particularly serious for the Green Square Town Centre, where $8 billion in development is reliant on efficient assessment and timely delivery of critical roads, stormwater and social infrastructure; and for the Sydney CBD, where significant business and development investment is occurring in anticipation of the physical and economic transformation of George Street through light rail and a high quality public domain.

The Independent Local Government Review Panel did not provide an evidence-based case for its recommended amalgamation of five eastern councils—the City of Sydney, Woollahra, Waverley, Randwick and Botany Bay Councils—to form a council of over 500,000 residents (larger than the population of Tasmania).

Detailed analysis by Randwick City Council, reviewed and supported by the City of Sydney, identifies a **potential saving of $146 million over 10 years** (net present value) for an amalgamation of the five eastern councils — **approximately 54 cents per resident per week.**

In contrast, an amalgamation risks continuity of City operations and damaged investment confidence. A decline in construction activity of 1% has a negative economic impact in excess of $300 million.

The City of Sydney was created in 2004 through a forced amalgamation, one of many attempts over more than a century for the political party in government at a state level to gain control of the City. A summary of the history of manipulation of City boundaries is at Attachment 10.

Because of the City's experience, it is well placed to understand the impacts of an amalgamation. Academic research supports the City's experience that there are no guaranteed costs savings following an amalgamation and no certainty that it will achieve better outcomes than other approaches to achieving economies of scale and strategic capacity.

The City and Sydney Metropolitan Mayors have repeatedly stated in submissions on the NSW Government's reform process for local government that the priorities for greater outcomes are to strengthen financial capacity, improve governance frameworks and establish mechanisms for collaboration and coordination, especially a partnership of respect between state and local government.

The disruption of an amalgamation on the City at this time will create uncertainty and has potential to place development investment at risk and impact negatively on the NSW economy.

- The City's response to the Independent Local Government Review Panel proposal is in Section 2.3.

1.5 City of Sydney recommendation

The City supports the TCorp definition of financial sustainability that "A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community".

$220M

The City is providing $220 million in funding for light rail on George Street.

This submission demonstrates that the City of Sydney is Fit for the Future and has scale and capacity to deliver for our local residential and business communities, and for global Sydney, in partnership with the NSW Government.

An amalgamation at this time would seriously and negatively impact on the City's capacity to deliver during a period of significant development and urban renewal that relies on our expertise and financial investment.

This submission recommends:

- The City of Sydney has scale and capacity to be Fit for the Future.
- No major structural should change be undertaken to the City's boundaries at this time.
- Priority action is needed to deliver important reforms to the NSW local government legislative and regulatory framework for governance, financing and collaboration/ coordination.
- To enable integrated strategic planning, local government areas excised and transferred to state agencies (Sydney Harbour Foreshore Authority, Barangaroo Delivery Authority and UrbanGrowth NSW) should be reintegrated into the City local government area.

Artist's impression of Green Square Library and Plaza

Image: Andrew (Boy) Charlton Pool

A Sustainable Sydney

The scale of the City of Sydney is not defined by geographical size or number of residents living in the local government area—which has been the main narrow focus of the Fit for the Future program.

2.

2.1 Scale and capacity

2.1.1
Scale: more than 1.2 million people daily

The scale of the City of Sydney is not defined by geographical size or number of residents living in the local government area—which has been the main narrow focus of the Fit for the Future program.

The City of Sydney has **approximately 1.2 million people in our area daily,** including residents, workers, students and visitors. This area generates $108 billion worth of economic activity annually—over 30% of metropolitan Sydney's economic activity and almost a quarter of the NSW state gross domestic product.

Our business community pays rates and, in the City of Sydney, is required by law to be enrolled to vote, with corporations entitled to two votes. This worker and visitor population is active day and night, and the level of services needed far exceeds that of our residential communities.

The City's residential population was 183,300 at the time of the 2011 census and is estimated to have recently passed 200,000 people. By 2031, it is estimated 273,500 people will live in the boundaries of the existing local government area (see section 2.4.6).

The City of Sydney's 24/7 call centre receives over 275,000 calls each year, our customer service centres assist 113,000 customers each year and our corporate website has 4 million visits a year. We send out about 860,000 notification letters a year and reply to nearly 8,500 individual letters. Our online community engagement hub has 200,000 unique visitors a year, we respond to about 12,000 submissions a year and we host about 100 community consultation events annually.

When the City last assessed its brand recognition, it was double the City of Melbourne.

The scale of the City's operations is greater than the combined group of five councils recommended for amalgamation with the City by the Independent Local Government Review Panel. For example, the City's budget is 62% of the combined group (City of Sydney, Woollahra, Waverley, Randwick and Botany Bay Councils), and the City's population is 48 % of the combined total. (See section 2.3).

The City's estimated residential population of 200,000 is well above average for Sydney and for OECD countries. The average population of Sydney councils is around 104,500, compared with the OECD average of 27,224 residents (OECD Regions at a Glance 2013, OECD Publishing, p.47).

The appropriate scale for the City of Sydney is directly linked to the role and responsibility of local government in NSW and the City of Sydney specifically. In other countries, local government has broader responsibilities, including transport, social housing, health, education and policing. It is impossible to properly consider the scale of local government if the role and responsibilities of local government are not clear.

The ILGRP proposed a number of 'key attributes of a global capital city'— physical size, hierarchy, leadership, strategic capacity, global credibility, governability and partnership with the state (Revitalising Local Government, p. 100). These attributes are generally reasonable and this submission demonstrates that the City of Sydney is performing well against these criteria.

However, the ILGRP assumes a radical transfer of power and authority from the state government to the City government that is not being considered by the Fit for the Future program. The proposal for greater physical area assumes 'including iconic locations of global significance', 'major infrastructure and facilities that are at the peak of the hierarchy for that function (government, transport, health, education, business, recreation, culture etc)', and managing 'major regional facilities'.

1.2m

people in our area daily, including residents, workers, students and visitors.

Including infrastructure and facilities in the City of Sydney without authority or responsibility to strategically plan for them or manage them is pointless. The City of Sydney recommends clarification and transfer of authority from the state government to the City for key functions critical to our global city, including roads and transport, strategic planning and development assessment in all areas of the local government area.

The state government has deferred reforms to devolve responsibility from state to local government and retains a veto over the vast majority of issues within the responsibility of local government.

A practical and long-overdue reform for the City is for the state to return local government authority for the areas excised and transferred to the control of state authorities. As a basic principle, the City must have the capacity to plan holistically for its area without the state excising development areas, such as the Sydney Harbour Foreshore Authority, the Barangaroo Delivery Authority and UrbanGrowth NSW.

These state authorities have different standards for consultation, accountability and transparency than provided by the City of Sydney. Some of the outcomes include:

- **Public confusion over who is responsible** for Circular Quay and different standards of servicing, particularly poor presentation and cleanliness.
- **Public distrust of the planning processes** where floor space increases at Barangaroo by over 70% above the original master plan without a corresponding increase in public benefit.
- **Inadequate public transparency and accountability,** such as Sydney Harbour Foreshore Authority's failure to reconcile its developer contributions plan.
- **Un-funded development impacts,** such as the failure to secure developer contributions for public domain interface works between Barangaroo and Hickson Road.

While the NSW Government would retain responsibility as land owner where appropriate, this transfer would enable integrated planning, transparent development assessment and consistent service delivery.

The City also supports the ILGRP recommendation for continuation of a separate City of Sydney Act that highlights and makes provision for special 'capital city' features and functions (Revitalising Local Government, p. 100 and 103).

2.1.2
Capacity: delivering Sustainable Sydney 2030

The City Government elected in 2004 undertook extensive research and consultation to establish a community endorsed long-term vision and strategic plan for the area, which resulted in Sustainable Sydney 2030 (see Attachment 7).

Development of Sustainable Sydney 2030 was the most comprehensive community consultation program ever undertaken by the City, involving tens of thousands of people over an 18-month period. The City met with more than 4,000 people at more than 30 community forms, roundtable discussions, business forums and City Talks; received more than 15,000 visitors and 200 comments through its website; and obtained more than 2,000 comments through an innovative "Future Phone".

As well as community feedback, we had input from some of Sydney's best minds across planning, architecture and design, which was coordinated by the City of Sydney's internal strategy team and an expert consortium headed by SGS Economics and Planning.

Ninety-seven per cent of people told us they wanted us to take action on climate change, so Sustainable Sydney 2030 sets a target to cut carbon emissions by 70% by 2030. It also sets clear strategies to build stronger communities, foster a diverse cultural life, and make the city an attractive place to live, work, study in and do business. The adopted vision and strategy guides the City's work. Its directions and objectives are embedded in our Integrated Planning and Reporting Program, four-year delivery program, annual operational plan and long term financial plan. The City of Sydney engages effectively across the whole community, including residents, business, industry and government.

Some of the demonstrated achievements include:

Economic

- **$24 billion of development approved in the past decade**—the number of dwellings in the City of Sydney increased from 89,749 to 98,012 over the five years from 2007 to 2012; and the number of jobs increased from 385,421 to 437,727 over the same period.
- **Strong jobs growth**—with more than 50,000 new jobs created and 2,000 new businesses opened in the five years to 2012, close to 40% of jobs growth in metropolitan Sydney over that time.
- **Some of the biggest jobs growth is in our inner villages**—Pyrmont and Ultimo grew by 46 % especially in the digital economy; Surry Hills and Redfern grew by 20%, focused on by creative industries; Glebe, Annandale and Camperdown grew by 38% and Haymarket and Chinatown by 23% in the five years to 2012.
- **State Government housing and jobs targets for the City of Sydney have been met and exceeded** —one of the few local governments in NSW to do so.
- **Infrastructure and planning barriers have been overcome to deliver Green Square,** Australia's largest urban renewal site. We've committed over $800 million for infrastructure to deliver over $8 billion in development, including funding more than half the $100 million stormwater infrastructure works with Sydney Water.

- **The need and feasibility of George Street light rail has been demonstrated** to secure NSW Government commitment. This is a project that the CBD business community lobbied hard for. We've provided $220 million in Council funds to deliver the project, with a total of $1 billion allocated to transform the CBD over the next 10 years.
- **A major upgrade of Pitt Street Mall** was completed in 2011—with more than 65,000 pedestrians every day, it is a premier retail destination in Australia.
- **Popular new business sectors have been fostered** to support the City economy, environment and cultural life, including small bars (now more than 100), food trucks (20 operating) and car share (now with over 24,000 members including 6,700 business members).
- **New interactive street signs, maps, information boards and digital apps** are making it easier for pedestrians to get around and we've upgraded footpaths, added pram and wheel chair ramps and improved accessibility to bus stops.

Environmental

- **Providing 110km of new cycling infrastructure, including 10 km of separated cycleways**—with the result the number of bike trips has doubled in the past four years, contributing to State targets to double the mode share of cycling for trips in Greater Sydney by 2016.
- **The City of Sydney was the first government in Australia to be certified as carbon neutral** under the Australian Government's National Carbon Offset Standard.
- **We reduced City of Sydney carbon emissions by 21%** and are implementing actions to reduce emissions 26% by 2016, toward our target of 70% by 2030.
- **Carbon emissions have reduced 21% across the local government area,** amidst strong economic growth. Our carbon intensity (the level of emissions per dollar of economic output) has fallen by nearly 30%, demonstrating that sustainability and a growing economy can go together.

–21%

- Carbon emissions have reduced 21% across the local government area

40%

- The City of Sydney has close to 40% of jobs growth in Metropolitan Sydney 2007–2012

$405m

- Over $405 million new and renewed social infrastructure built

- **Innovative Environmental Master Plans,** including a **Renewable Energy Master Plan** showing how Sydney could be powered 100% by renewable energy by 2030; **Energy Efficiency Master Plan** to reduce energy usage by over 33 per cent by 2030 and save residents and businesses over $200 million; and **Decentralised Water Master Plan** to reduce mains water use by 10% by 2030.
- **Street lights replaced with LED lights** to reduce energy use from street lighting by almost 45 per cent, saving $800,000 annually;
- **Installing one of the largest rooftop solar projects in Australia on our buildings**—1.2 megawatts of solar panels that will produce 12.5% of our electricity needs.
- **The City's renewable energy master plan received the EUROSOLAR European Solar Prize 2014 award for excellence and innovation,** recognising "civic vision, technological leadership and political courage".
- **Planting more than 10,250 new street trees** to absorb pollution and reduce summer temperatures, towards a target to increase the City's urban canopy cover by 50% by 2030.
- **One of Australia's largest water recycling programs**—upgrading irrigation systems in 27 parks and installing stormwater harvesting in 11 parks. At Sydney Park we are harvesting 850 million litres per year.
- **Diverting all domestic waste and 99% of our construction waste from landfill,** and increasing resource recovery across all types of waste from 26% to 68% since 2006.
- **The Better Building Partnership, a collaboration with the owners of more than 50% of all commercial floor space in the CBD,** now saves $30 million a year in energy bills and has reduced greenhouse gas emissions by 33% since 2006.
- **12% of commercial floor space in major CBDs across Australia signed up to CitySwitch,** a Sydney initiative where commercial tenants commit to a 4.5 star NABERs rating. The 700 participants save $14 million each year.
- **Sydney co-chairs the C40 Private Sector Buildings Energy Efficiency Network with the Tokyo Metropolitan Government** as an active member of the C40 Cities Climate Leadership Group.

Social

- **Over $405 million of new and renewed social infrastructure built,** including parks, playgrounds, pools, libraries, theatres, community and cultural spaces. Attachment 3 includes details on major projects, such as the Ian Thorpe Aquatic Centre, Ultimo; Prince Alfred Park and Pool; Redfern Park and Oval; Paddington Reservoir Gardens; Rushcutters Bay Park; Surry Hills Library and Community Centre; Sydney Park; Glebe Foreshore Walk and Pirrama Park.
- **Targeted planning initiatives and direct funding created 1,310 child care places** between 2005 and July 2013, with a further 1,410 places approved but not yet operational and 1,339 places undergoing development assessment. **The City is investing in six new public child care centres** offering 360 extra places by 2016.
- **State government homeless services supported** through a $14 million investment over ten years, including the only local government homeless support unit in NSW.
- **Most major assets restored and renewed,** including Sydney Town Hall and Hyde Park, two of Australia's most significant heritage items.
- **Grants and sponsorships of $49 million cash and $36 million in kind** provided over the past decade to over 500 organisations to deliver cultural, community, environment and economic events, projects and programs.
- **The City library network has been modernised** with innovative services such as Late Night Library and new libraries at Customs House, Surry Hills and Kings Cross.
- **15 community centres provide support services and activities** for people of all ages and backgrounds, including exercise, education, music, dance and arts—with a further 15 unstaffed centres for community hire.

- **The City's dedicated Public Housing Liaison Officer** is in contact with the City's 2,500 public housing residents each year.
- **The City has 13 sports fields and 29 sports facilities** with a range of tennis, basketball, netball and multi-purpose courts, with almost all renewed and improved since 2004.

Cultural

- **$34 million invested each year in the entertainment and cultural life of our city** through sponsorship of festivals and events. Sponsorship of $7.2 million in cash and $14.3 in kind has been raised to support these major events.
- **Major cultural festivals and events hosted and supported,** such as Sydney Festival, New Year's Eve, Chinese New Year, Sydney Film Festival, Sydney Writers Festival, Fringe Festival, The Biennale and Mardi Gras.
- **Sydney's first cultural policy, Creative City,** with over 120 actions, was developed with feedback we received from thousands of people.
- ***Yinimadyemi*, commemorating Indigenous Australians** who served our country in war, installed in Hyde Park, part of the $5 million Eora Journey project.
- **Popular new public artworks** include Michael Thomas Hill Forgotten Songs in Angel Place; Caroline Rothwell's Youngsters in Barrack Street and Jason Wing's In Between Two Worlds in Chinatown.
- **57 laneways upgraded with paving, lighting, traffic changes and art installations** revitalising previously unused spaces with a network of small plazas where shops, bars and other small businesses thrive.
- **City properties on Oxford and William Street are innovation hubs** supporting young entrepreneurs and injecting more than $1 million into the economy of these main streets.

For further information on the City's projects and services, see Attachment 2 to 8.

The City of Sydney has won over 85 awards for the design excellence and sustainability of our projects, and public consultation. A list of these awards is in Attachment 9.

The City achieves high standards and design excellence while remaining highly efficient. Since 2004, staff numbers (FTE) at the City have grown by 18%. Over that time, the City's residential population has grown by over 32% and worker population by almost 15%. The City has an average of one staff member for every 580 people in our area every day, with an average cost per person of $417 in 2014/15 for the approximate 1.2 million residents, workers, students and visitors in the area each day.

Our ten-year plan (Attachment 1) earmarks nearly $2 billion for new and renewed infrastructure for the city's rapidly growing population and workforce, including $240 million to improve public paths and roadways; $130 million to upgrade more parks and green spaces needed for higher residential densities; $53 million for new childcare centres; and $37 million to integrate the state site at Barangaroo with Millers Point and Walsh Bay. It makes provision for continued major projects, including light rail and Green Square.

2.1.3
Delivering on a period of economic growth

The City of Sydney local government area is experiencing a period of economic expansion, characterised by accelerated development activity as investors seek to capture value from higher than average yields and invest in the city centre.

Delivering on this potential for Sydney requires not just efficiently processing a high volume of complex development proposals, but also delivering high quality design, timely infrastructure and world-class amenity that will attract and retain business talent.

The impact of an amalgamation at this time may mean the City is not able to continue to deliver effectively on the opportunities of the current economic environment, which would put significant private investment at risk of delays and impact negatively on Sydney's future prosperity.

The past 10 years saw around $24 billion of development investment in the City, excluding NSW Government projects. Over the next decade, development is projected to be in the order of $30 billion to $40 billion, based on existing CPI trends and increased activity due to higher property prices.

In 2014, the City of Sydney processed $3.95 billion worth of development, more than four times greater than the nearest council. There is currently approximately $12 billion in City development applications in the pipeline—in discussion, assessment, approved or under construction—excluding NSW Government projects such as Barangaroo and Darling Harbour.

The RLB Crane Index (Q2–2015, Sixth Edition) shows that the number of cranes on Sydney's skyline has continued to rise, increasing 36% since the Q2 2014 count. There were 162 cranes at work across Sydney, with the majority within five kilometres of the GPO.

According to *The Australian* newspaper (5 March 2015), "Some of the biggest development projects in the Sydney CBD are coming to a head, with Lend Lease, Dalian Wanda Group and Visionary Investment Group sharpening their plans." These reports confirm continued major developments in planning, ahead of formal lodgement with the City and development assessment.

The City is working on at least five projects worth more than $250 million at present: AMP's 50 Bridge Street ($1 billion); Investa's 60 Martin Place ($300 million); Mirvac/Coombs' 505 George Street ($300 million); Lend Lease's 180 George Street ($280 million); and Dalian Wanda's 1 Alfred Street ($250 million). Another five private projects over $100 million are also under development.

Delivering on this development potential requires skilled coordination and infrastructure design to manage the interface between public and private investment, and it requires our public contribution to realise this investment in a manner that provides greatest public benefit.

Sydney is Australia's major finance centre and home to world-leading businesses. More than 200 of the top 500 Australian corporations have headquarters in the City. It is a base for the growing banking, technology and professional and specialist service sectors, with a highly skilled workforce expected to exceed 560,000 workers across the local government area by 2030.

While the City is known for its large national and multi-national corporations, 44% of businesses in the City have less than five workers, and 40.9% have between five and 20 workers. These small businesses employ almost 25% of the City's workforce. Census data from 2006 to 2011 indicates that employment growth in the City accounted for almost 40% of the entire jobs growth in the Sydney metropolitan area, a growth rate twice the rest of the metropolitan area.

Some of the biggest growth took place in the digital, creative and service industries. Pyrmont and Ultimo have seen a 46% growth in jobs, with the digital economy leading the way. Employment in Redfern has grown by 25% and Surry Hills has grown by 20%, with up to one in four workers employed in the creative industries. Glebe, Annandale and Camperdown have seen a 38% rise in jobs, and there are now 23% more jobs in Haymarket and Chinatown.

Over 64% of Australia's tech start-up companies and almost 15% of Australian workers employed in the ICT sector are located in the City of Sydney, chiefly clustered around our inner villages with easy access to the city centre.

Increasingly, businesses are locating in clusters of linked activities to take advantage of agglomeration to share knowledge, suppliers and customers, reduce costs and increase innovation. This has important impacts on productivity and the ability of business to compete globally.

Modern global cities prosper on the interaction between large and small business, and between business and residents. A successful global city needs to address economic, social, cultural and environmental issues. Increasingly in a global world, liveability is a key driver for prosperity and economic growth—the places where people want to live are also the place they want to set up business and work.

Clearly, Sydney's future growth and prosperity will be very largely dependent on how we take advantage of these trends and continue to secure high standards of liveability. Three current projects demonstrate the City of Sydney's essential technical expertise and infrastructure contribution:

- **New planning controls in central Sydney** are being finalised for public exhibition to ensure there is sufficient productive floor space long-term to maintain Sydney's international competitiveness and accommodate new globally-oriented economic activities.

  This includes innovative ways to release capacity in central Sydney as there are few new sites available for redevelopment and many existing sites have capped redevelopment potential due to potential amenity impacts such as sun access and overshadowing of significant and limited public places, such as Martin Place and Hyde Park. Options being developed include planning controls that facilitate site amalgamations, revised floor space and height in appropriate locations, value capture, and technical provisions to ensure optimum design and amenity outcomes.

- **George Street light rail and pedestrian boulevard** is a challenging project that will positively transform Sydney's CBD for the future.

  This project is based on Council's needs assessment, feasibility studies and consultation. The City is providing $220 million in funding and is partnering with the state government to deliver the project. The plan includes granite paving from Hunter Street to Bathurst Street to provide 25,000 square metres of new pedestrian space, with light rail linking workers and visitors from Circular Quay to Central Station. This aligns with a long-term vision for a world-class Town Hall Square, where the City has acquired key buildings ahead of a major development impetus, such as the Sydney Metro project.

- **The $8 billion, 278-hectare Green Square urban renewal** is the largest urban renewal site in Australia and one of the fastest growing areas of Sydney, with nearly 10,000 new apartments due for completion over the next four years.

The City's political leadership, expertise, research and funding revitalised this moribund project to deliver development for over 55,000 residents and up to 20,000 jobs. Construction is underway on the Green Square Town Centre, which will accommodate approximately 6,800 residents and up to 8,600 workers. The City has committed $440 million over the next 10 years, with a total estimated expenditure of $800 million, to build world-class community facilities and infrastructure for Green Square, focussing on high-quality design to create an exciting and connected neighbourhood.

The current period of aggressive development activity has brought forward opportunities to deliver jobs and housing, while enabling the development and renewal of supporting infrastructure. This investment and impetus needs to ensure a quality built environment that is socially, economically and environmentally sustainable—and provides long-term and broader benefits for the City.

The City has high level skills to develop strategic policy, engage with developers, achieve design excellence and deliver public benefits from roads, footpaths, parks, drainage infrastructure, swimming pools, affordable housing, childcare centres and cultural facilities. Our policies promote design excellence, street level commerce, fine grain frontages, new parks and plazas, residential diversity, high quality public domain materials, and green travel plans for major developments.

A leading example is the Greenland Centre, currently the tallest approved residential building in Sydney. This development includes innovative reflection-free, frameless, glass wind-protected balconies on the tower and five floors of public rehearsal and practice space in the podium, strategically aligned with the City's published Cultural Policy. Almost all new office towers have end-of-trip cycle facilities, including bike racks, showers and change rooms, excluded from floor space calculations and many older buildings are being retrofitted.

There are now many examples of high quality urban design and architecture that have come from Sydney's design excellence program, together with advice from our Design Advisory Panel. The City has developed trust as a capable and ethical administrator that works to deliver a liveable, prosperous global city.

2.1.4
Non-residential voting legislation

On 25 September 2014, the City of Sydney (Elections) Amendment Bill became law requiring all businesses in the City of Sydney to be enrolled to vote and entitling corporations to two votes. The legislation applies solely to the City of Sydney and commenced on 6 February 2015.

The amendments impose an obligation on the Chief Executive Officer of the City to create and maintain a register and rolls of eligible non-residential voters. This is complex new legislation and requires substantial work to ensure that the register and rolls are accurate and in place for the September 2016 election.

The work to create the register and rolls involves identifying every individual eligible business in the local government area and registering eligible voters. While the City maintains a database of owners for rating purposes, there is no comprehensive record of all businesses. The process to develop the register will involve significant communications, surveying and site visits, over a period of over twelve months. The implementation costs remain extremely uncertain and are expected to be in excess of millions of dollars.

At this stage in the implementation process, it is the City's view that the requirements of this legislation could not be adequately implemented across an amalgamated council area before September 2016.

55,000

Over the decade, the City's residential population is expected to grow by more than 55,000 people.

2.2 Financial sustainability

2.2.1 The City's strong financial position

The City of Sydney is in a strong financial position due to more than a decade of stable progressive government, professional corporate administration, a policy commitment to prudent financial management and strategic investments.

In 1993, the former City Council was in deficit with declining incomes, and accused of being near bankruptcy. The Liberal Local Government Minister, Gerry Peacocke, stated in Parliament that "the financial accounting system of Sydney City Council is a mess. It has been a mess for years. It probably has been a mess for nearly a century." The Auditor-General commended the Council for "undertaking a program of improvement to the financial accounting systems and associated reporting functions". (Hansard, 20 May 1993)

The City's current strong financial position has been independently verified by the City's external auditors, PWC and by the NSW Government's TCorp.

In early 2015 PWC assessed the City's financial position over the past six years and stated:

"We believe that Council was in a strong and stable financial position for the six years during which we acted as external auditor. The financial indicators during that period showed that Council had very strong liquidity and no debt. Its rating income was generally below 50% of its total income but this did not impact on its ability to deliver services as Council had significant alternative income streams to take pressure off the rating base and limit the impact of rate pegging".

The 2013 TCorp Review of local government financial sustainability confirmed the City has "strong operating surpluses, strong levels of liquidity, good financial flexibility and no debt." It assessed our finances as "strong" with a "positive outlook"—the only NSW council with this rating.

TCorp's conclusions reflected that the City:

- consistently achieves strong operating surpluses, forecast to continue
- has sound liquidity, forecast to continue, despite plans to deliver major projects
- maintains good financial flexibility, expected to continue into the future
- has debt free operations
- has the capacity to utilise significant borrowings if required

For the 10 financial years since the amalgamation of the former South Sydney and City of Sydney councils, the average Annual Operating Result has been a surplus in excess of $100 million. This strong performance has allowed the City to internally fund its capital works program and to accumulate cash reserves. The City's closing cash and investments balance at 2013-2014 was $566.4 million, with $487.2 million of this restricted for specific purposes such as Section 94 contributions, CBD light rail and Green Square infrastructure.

The City's rigorous financial planning, monitoring and reporting, which facilitates a transparent understanding of performance, risks and issues, has served the City well. An early awareness of risks and issues allows the Council and the Executive to respond to mitigate arising risks and ensure the long-term financial sustainability of the City.

The City's long term financial plan, developed to provide effective City management and addressing the requirements of the NSW Government's Integrated Planning & Reporting (IP&R) framework, shows that the City remains in a very strong financial position, built upon a diverse income base, significant business rate income and its commitment to control and deliver services, facilities and infrastructure that are both effective and efficient.

The long term financial plan recognises current and future financial capacity to continue delivering high quality services, facilities and infrastructure to the community while undertaking the initiatives and projects that will contribute toward the goals. These were agreed and endorsed by the community and set down in the Sustainable Sydney 2030 Community Strategic Plan.

The financial plan demonstrates capacity to continue undertaking maintenance and renewal works while also delivering major initiatives such as the City's $220 million contribution to the NSW Government's light rail project and delivering infrastructure for the Green Square urban renewal project, including a $58 million contribution to trunk drainage works at Green Square in partnership with Sydney Water (a state government agency).

The City supports the definition of financial sustainability set out in the TCorp assessment and reiterated in the IPART methodology that **"A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community".**

The City targets above benchmark performance across the Fit for the Future mandatory performance indicators as part of our long term financial planning process, within the limitations of the benchmarks (see Section 2.2.2).

2.2.2 Fit for the Future Performance Measures

Seven performance measures have been identified as part of Fit for the Future. These are:

Sustainability

1. Operating Performance Ratio
2. Own Source Revenue Ratio
3. Building and Asset Renewal Ratio

Infrastructure and Service Management

4. Infrastructure Backlog Ratio
5. Asset Maintenance Ratio
6. Debt Service Ratio

Efficiency

7. Real Operating Expenditure (per capita)

The assessment of the City's performance against these benchmarks is in section 3, Response to Template 2 – Council Improvement Proposal (Existing Structure), including commentary that puts the benchmarks in context.

In terms of providing a full and balanced assessment of financial performance now and into the future, the above measures do not adequately reflect the characteristics of a sustainable council. This view is widely held within the local government sector.

Of particular concern is the Debt Service Ratio. As TCorp (New South Wales Treasury Corporation) notes in its submission on the IPART draft methodology, "some of the councils that TCorp assessed as amongst the strongest financially sustainable councils in NSW (for example, City of Sydney and The Hills), have no existing or current need for debt, significant capital expenditure programs, and very low Infrastructure Backlogs." (Letter by Kevin Pugh, Head of Local Government Services, 22 May 2015.)

Despite the limitations and flaws in the benchmarks, the City targets above benchmark performance where possible and projects the results in line with the respective benchmarks and milestone dates in the Fit for the Future template. With the exception of the Infrastructure Backlog Ratio, which is a snapshot by year, each ratio reflects a three year average up to the year shown, plus a five year average up to the 2024–25 financial year (the last year of our current Long Term Financial Plan).

2.2.3 Better measures for sustainability

The NSW Government's TCorp noted that while a high population density and low reliance on external sources of funds are important factors to a sustainable council, other factors assist their sustainability position:

Responsible council that understands its role

- Important for the council to have a long term vision
- Council that concentrates on "fit for purpose" assets

Quality management and staff

- Experienced management team who understand the business and focus on sustainability
- Appropriately qualified engineering staff who understand tasks required
- Skilled financial reporting staff to assist decision making
- Ability to attract and secure quality and skilled employees

Good reporting and budgeting

- Conservative budgeting helps attain necessary operational surpluses
- Good quality reports to help attain external funds (e.g. grants)

This view is a more mature and coherent assessment of financial sustainability than simply calculating seven selected financial ratios, some of which are inherently flawed.

The relative importance of individual criteria has also changed between the TCorp assessment of councils' financial performance and the Fit for the Future proposal. The TCorp weightings were:

- Financial flexibility (35%) – operating ratio, and own source operating revenue ratio
- Liquidity (20%) – cash expense ratio, and unrestricted current ratio
- Debt servicing (10%) – debt service cover ratio, and interest cover ratio
- Asset renewal and capital works (35%) – infrastructure backlog ratio, asset maintenance ratio
- Building and infrastructure asset ratio
- Capital expenditure ratio.

Liquidity, worth 20% of the overall TCorp result, and the capital expenditure ratios are **ignored** in the Fit for the Future assessment. These are strong indicators of a councils' financial capacity.

Image: Glebe Foreshore

$24B

$24 billion of development approved in the past decade

2.3 ILGRP amalgamation proposal

2.3.1
The amalgamation

The NSW Government has asked the City of Sydney to consider the Independent Local Government Review Panel (ILGRP) recommendation that the City of Sydney, Woollahra, Waverley, Randwick and Botany Bay councils amalgamate to create a local council with a current residential population of over 500,000 people. The area would grow to more than 650,000 residents by 2030.

2.3.2
Lack of support

On 8 December 2014, the City of Sydney Council affirmed it was Fit for the Future on its current boundaries and resolved to meet with neighbouring councils about their proposals.

City of Sydney representatives have met with all councils in the group proposed for amalgamation by the Independent Local Government Review Panel (Woollahra, Waverley, Randwick and Botany Bay).

None of the councils in the group support an amalgamation with the City.

Reasons expressed by neighbouring councils included:

- The relevant council has assessed it is Fit for the Future.
- The scale and nature of issues in the City could overwhelm local concerns.
- The local community does not support amalgamation.
- No compelling business case has been identified.
- New voting legislation to give two votes to business was not desirable in their area.

2.3.3
Marginal benefit

The financial benefit of an amalgamation is marginal compared to the risks of a loss of business and development confidence due to an uncertain investment climate and disruption to city operations and critical infrastructure projects.

The ILGRP appears to have based its position on a philosophical position that ‘bigger is better’. It took the view that much larger councils would have greater strategic capacity and **did not provide financial analysis or a business case to justify its recommendation.**

The City of Sydney has undertaken an assessment of the performance of the group of councils against the Fit for the Future financial criteria and reviewed available information from other councils in the group.

This assessment concludes that there is marginal improvement for the City of Sydney resulting from the combined larger entity. The City’s financial performance and position is generally approximately equal to that of the four neighbouring councils combined. Whilst there may be an economy of scale benefit for the surrounding councils, any benefits to the City of Sydney would be minor.

There is a large amount of academic literature highlighting that amalgamations do not reduce costs. Professor Percy Allen has stated, “There is no empirical evidence either here or overseas that larger councils result in lower costs, rates, fees and charges” and “Mergers distract from the real issues, which are massive under-spending on capital works and dysfunctional development approval processes” (a chapter included in CEDA’s book, *Federation for the 21st Century*).

A recent paper, co-authored by Graham Sansom, Chair of the ILGRP, drawing from 17 cases of different forms of consolidation, including amalgamation, suggests that there is little evidence that amalgamations yield substantial economies of scale and that there is considerable evidence to show that amalgamations are more costly and disruptive than predicted. (A Fresh Look at Municipal Consolidation, Sansom G, Aulich C, McKinlay P, 2014.)

This research does not demonstrate that amalgamations are more effective than other approaches in developing economies of scope and strategic capacity, and it argues the case for complementary improvements, such as enhanced political governance, better financial and asset management, and organisation development. The report highlights the importance of political leadership and good governance for achieving beneficial results.

2.3.4 Significant negative impact

Amalgamations and boundary changes are a major process of organisational restructuring. They are costly and disruptive, and require a compelling business case to be justified.

The 2003-2004 City of Sydney boundary changes and amalgamation involved:

- **Creating a vision for the new area.** The City of Sydney researched and consulted extensively to develop a strategic plan for the amalgamated area. This took more than 18 months.
- **Integrating staff of 1600 employees** under different award systems, with different cultures and with many staff in duplicate roles. Some staff are still under different awards. 'Spilling and refilling' senior positions takes a minimum of 18 months to three years of restructuring before a new stable executive team is in place.
- **Bringing multiple residential and business rate categories into alignment.** This took six years in order to avoid massive rate jumps in some areas.
- **Integrating three sets of planning controls.** This took over five years in the context of state planning reforms, impacting on future housing, jobs and growth.
- **Reviewing all services and contracts to align different contracts, service levels and practices.** It took up to four years to bring basic contracts, such as waste and parks maintenance, into alignment, with some long-term contracts (street furniture) needing to be reworked or accommodated.
- **Aligning different IT systems.** In 2004, the City of Sydney had over 20 different IT systems including finance, payroll and websites. It took two years to align the essential finance and land information systems.
- **Establishing common asset management standards.** It took three years to create a common asset maintenance program. Capital works are still underway to implement the program.

It is the City of Sydney's experience that an amalgamation takes three to five years to fully complete, with significant organisational capacity focused on delivering the outcome, rather than maintaining full focus on delivering external projects, infrastructure and services.

Boundary changes are also complex and costly, involving many of the same issues as an amalgamation. The 2003 boundary changes that transferred areas of South Sydney and Leichhardt Councils into the City of Sydney resulted in complex arrangements to equitably transfer assets and staff. A long-running dispute over property assets on Oxford Street was ultimately a justification for the forced amalgamation between the City of Sydney and South Sydney City Council.

The City's experiences aligns with considerable research evidence that shows the extent of disruption to operations and the transition costs of amalgamations are usually much higher than stated by advocates of amalgamations (Andrews, R. & Boyne, G., 'Structural Change and Public Service Performance: The impact of the Reorganization Process in English Local Government', Public Administration v.90 No. 2, June 2012.)

If resources are diverted into an amalgamation at this time, the City will not deliver effectively on the opportunities of the current positive economic environment to meet the needs of our rapidly growing city.

To disrupt the City with an amalgamation now could put investment at risk; impede our ability to assist the state government to deliver key projects such as light rail and Green Square; and potentially impact negatively on the NSW economy.

2.4 Assessment of amalgamation case

2.4.1 Financial case

The City undertook extensive research and analysis of potential costs and benefits of the ILGRP-proposed amalgamation. Key aspects of financial, demographic and operational data were compiled from surrounding councils' publicly available documents, and also OLG Comparative Data for 2013–14.

The data, summarised in sections 2.4.2 to 2.4.8 below, is indicative of the City of Sydney's considerable existing scale, and also highlights potential incompatibilities under any potential amalgamation scenario.

Historical precedent indicates that amalgamations of local governments give rise to financial and operational risks, particularly in the short to medium term. There is marginal financial benefit amalgamating the City of Sydney, Woollahra, Waverley, Randwick and Botany Bay. These marginal benefits would be dwarfed by the economic impact of disruption to City of Sydney operations, major development in the city and critical infrastructure projects currently underway.

In undertaking related analysis, City staff met with the authors of the Randwick City Council report to explore its underlying assumptions. The City's conclusions are consistent with the position reached by Randwick City Council.

The Randwick City Council analysis identifies a significantly lower financial benefit when the City of Sydney is included in the amalgamation. The analysis acknowledges that simplistic assumptions for economies of scale do not apply to the different scale and nature of many services provided by the City of Sydney.

The projected full 10 year savings amount to an estimated annual saving per resident of $28 a year or 54 cents per week. The minor nature of the benefit is reinforced by the City of Sydney's assessment of the seven Fit for the Future performance indicators, which also shows marginal change as a result of the recommended amalgamation.

The results show minimal potential return, especially given the widely documented risks associated with an amalgamation.

Table 1-p28 summarises key financial information of councils in the group the ILGRP recommended be amalgamated. The table supports the TCorp assessment that the City has the strongest financial position out of all the councils.

It also confirms that the financial scale of the City of Sydney is significantly greater than the surrounding councils. The combined operating and capital budgets of Randwick, Waverley, Woollahra and Botany amount to $475 million or 62% of the City's total budget. For example, the City of Sydney employs close to the same number of staff as the other councils combined.

2.4.2
Comparison of current financial position

A high-level analysis of the respective councils' published financial statements for 2013-14 reveals the disparity between the current financial scale of the City of Sydney, as compared to the surrounding councils proposed for amalgamation by the Independent Local Government Review Panel. With the City of Sydney comfortably exceeding the combined totals of the surrounding councils in terms of Income, Expenditure, Cash and Total Assets whilst maintaining lower Total Liabilities, the financial benefits of any potential amalgamation are not readily apparent.

Figure 1: Income comparisons—Randwick, Woollahra, Waverley, Botany and City of Sydney

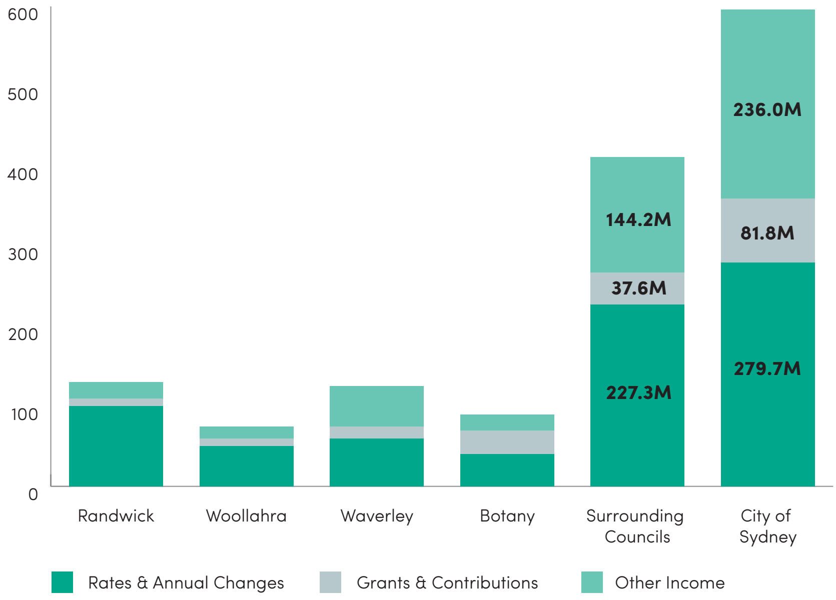
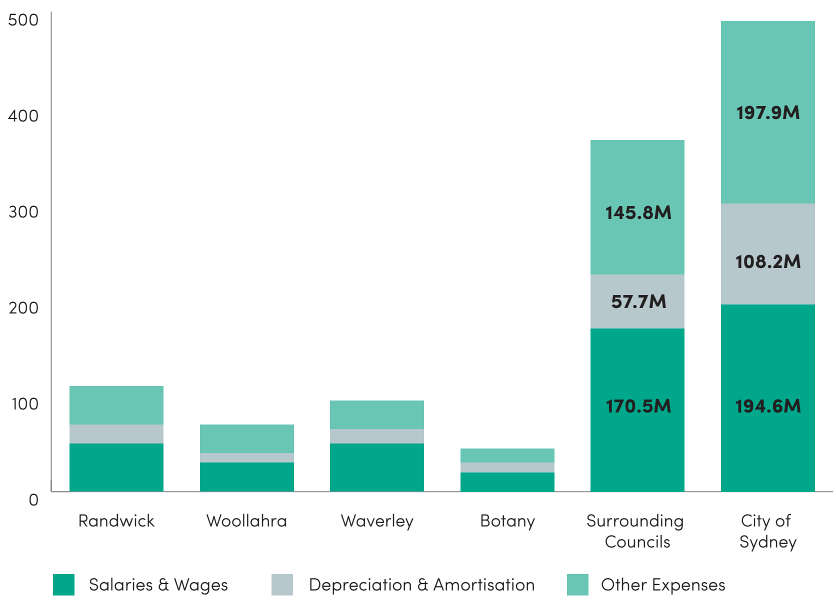


Figure 2: Expenditure comparisons—Randwick, Woollahra, Waverley, Botany and City of Sydney



The City's historically strong rating base and high volume of developer contributions, along with several additional income streams, provides the financial foundation for its expenditure (both operating and capital). With all surrounding councils running at similar, near break-even, levels in 2013–14, any expansion of the (current) City of Sydney's service levels and expenditure into neighbouring areas would draw upon income generated within the existing City of Sydney Local Government Area (LGA).

The City of Sydney dwarfs its neighbouring councils in terms of both cash/investment balances and overall asset balances (driven by Infrastructure, Property, Plant and Equipment). As with income and expenditure, there is little incentive for the City of Sydney to divert existing resources into a broader area than its existing LGA, and indeed, a significant proportion of the City's cash reserves are held as restricted amounts for specific purposes.

Figure 3: Cash and investment comparison —Randwick, Woollahra, Waverley, Botany and City of Sydney

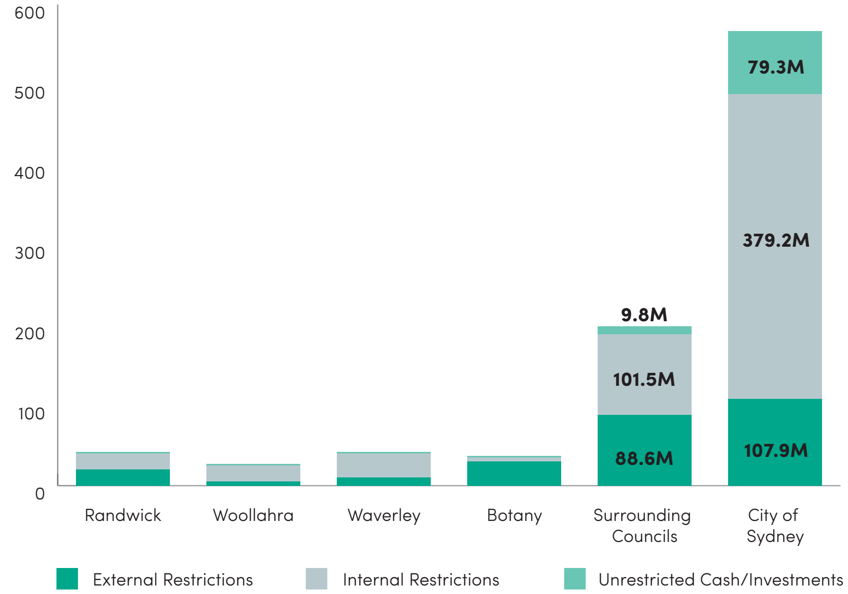
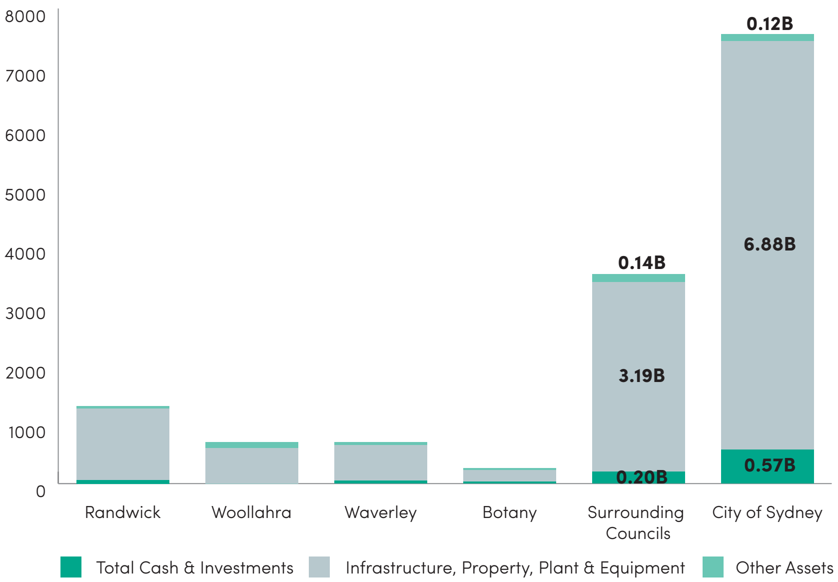


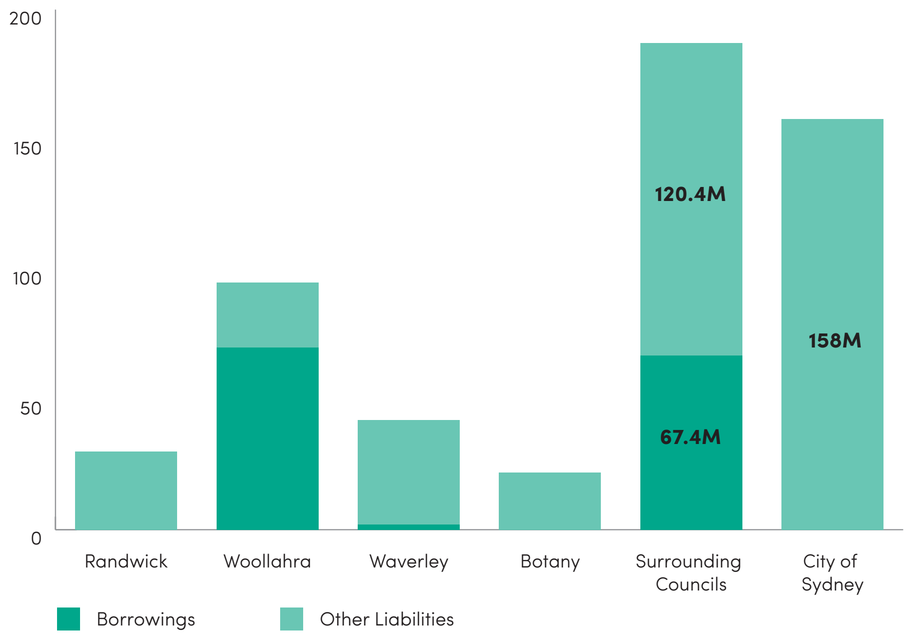
Figure 4: Assets comparison—Randwick, Woollahra, Waverley, Botany and City of Sydney



Further analysis of Infrastructure, Property, Plant and Equipment has been undertaken at section 2.4.3. It is apparent that the comparative scale of the City's asset base will result in any potential amalgamation with surrounding councils having minimal impact on the asset management outcomes of the City. As the high level analysis of depreciation expense shows, there may be significant impacts on performance ratios as depreciation rates are harmonised in any amalgamation scenario.

Most evident in the above is the absence of debt liability for the City of Sydney (also for Randwick and Botany Councils). Whilst Woollahra and Waverley both maintain debt service ratios within the Fit for the Future benchmark 'range', any councils included within an amalgamation scenario would assume responsibility for those debts, jeopardising the notion of 'intergenerational equity', as outstanding debt balances are serviced by a significantly expanded LGA.

Figure 5: Liabilities comparison—Randwick, Woollahra, Waverley, Botany and City of Sydney



Financial Profile

Councils ILGRP recommended be amalgamated with the City of Sydney

In addition to the higher level financial comparisons above, information provided in tables 1 and 2 below provide further context relating to the current financial situation of the respective councils.

The City of Sydney's performance against the mandated Fit for the Future ratios as at 2013-14 was affected by the following factors:

- **Building & Infrastructure Asset Renewal:** the inadequacy of this measure is detailed at length in sections 3.2.3.1 and 3.3.1.3 below. Against a more appropriate renewal measure, the City's performance is significantly improved.
- **Infrastructure Backlog Ratio:** a lack of consistency in assessing the 'Estimated Cost to Bring to a Satisfactory Standard' and the lack of audit scrutiny applied to Special Schedule 7, an unaudited attachment to the Annual Financial Statements analysing infrastructure funding requirements, has resulted in a lack of historical clarity in relation to this measure. Having been given additional context by the Fit for the Future process, the City has reassessed its Infrastructure Backlog ratio for 2013-14, and has targeted improved performance in future years, as detailed in the Long Term Financial Plan.
- **Asset Maintenance Ratio:** the City has improved asset management planning over a number of years and has refined estimates of 'required asset maintenance' as part of the Asset Management Plan, and forecast increased maintenance expenditure into the future. Refer section 3.3.2.2 – performance is forecast to exceed benchmark over the longer term.
- **Debt Service Ratio:** the City's lack of debt results in a "below benchmark" performance against this ratio. Commentary in respect of this measure is provided at sections 3.2.3.2 and 3.3.2.3.
- **Real Operating Expenditure Over Time:** unduly influenced by depreciation fluctuations as a result of asset revaluations. These fluctuations did not represent increases to the underlying cost of service provision in the years prior to 2013-14.

The projections in Table 2 below are shown in green where the mandated Fit for the Future benchmark level is met or exceeded.

Table 1: Summary of financial position of five councils proposed for amalgamation 2014-2015

	RANDWICK	WAVERLEY	WOOLLAHRA	BOTANY BAY	SYDNEY
TCorp Assessment – Current financial sustainability	Sound	Moderate	Moderate	Moderate	Strong
TCorp Assessment – Financial sustainability outlook	Positive	Positive	Positive	Neutral	Positive
OLG Infrastructure Audit – Infrastructure Management	Very Strong	Strong	Strong	Moderate	Strong
Staff	522	601	376	322	1,773
Budget 2014-15 (Operating Expenditure plus Capital Expenditure)	$158m	$144m	$107m[1]	$66m	$761m
Average residential rates 2014-15	$1,075	$1,058	$1,118	$689	$654
Residential rates	$52m	$30m	$27m	$10m	$59m
Business rates	$13m	$12m	$5m	$16m	$199m
Debt	$0	$3m	$6m[1]	$0	$0
Infrastructure backlog	$7m	$12m	$5m[2]	$11m	$49m[2]
Asset renewal and maintenance annual expenditure gap (at 2013-14)	$0	$6m	$1m	$2m	$16m

Sources: 2012-13 Comparative Data Return, 2014-15 Operational Plans and 2009 to 2013-14 Financial Statements and Woollahra Council's revised Special Schedule 7 published February 2015. – Prepared by Randwick for "Fit for the Future Options Analysis" Appendix C, page 16

Notes

1. Excludes Kiaora Lands joint venture between Woollahra and Woolworths (refer to pages 39-40).
2. In Feb 2015 Woollahra Council advised they have reviewed their backlog since the publication of their last financial statements (2013-14), resulting in a reduction in the backlog from the reported $15m to $5m. The City of Sydney has likewise reviewed the reported "Cost to bring to Satisfactory Standard" for 2013-14 and made adjustment from $67m to $49m (the change related to assessment of backlog in building assets).

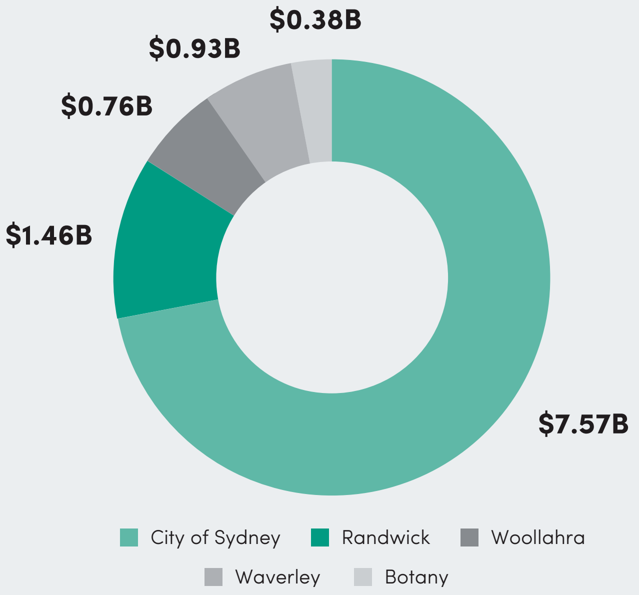
Table 2: Performance against Fit for the Future ratios – as per published statements 2013-14

CITY OF SYDNEY	WOOLLAHRA, WAVERLY, RANDWICK, AND BOTANY	ALL COUNCILS COMBINED (PER ILGRP)	COMMENTS
Operating Performance			
65,245	-4,195	61,050	The City outperforms surrounding councils on this measure. In the three years to 30 June 2014 the City had higher operating income and operating expenditure than surrounding councils combined.
1,475,931	1,143,161	2,619,092	
4.42%	-0.37%	2.33%	
Own Source Revenue			
1,435,336	969,898	2,405,234	All Councils exceed this benchmark and the City projects own source and total revenue around 50% higher than surrounding councils combined. Minor improvement under ILGRP proposal.
1,696,124	1,129,339	2,825,463	
84.62%	85.88%	85.13%	
Building & Infrastructure Asset Renewal			
147,727	107,454	255,181	The City's renewal expenditure and depreciation expense for the three years to 30 June 2014 exceeded the surrounding councils combined. Minor improvement under ILGRP proposal.
190,669	137,069	327,738	
77.48%	78.39%	77.86%	
Infrastructure Backlog			
48,686*	35,690*	84,376	The surrounding councils' performance is marginally healthier than the City. The City's backlog and written down value of relevant asset classes is approximately equal to the surrounding councils combined. Minor improvement under ILGRP proposal.
1,740,668	1,838,328	3,578,996	
2.80%	1.94%	2.36%	
Asset Maintenance			
89,919	93,653	183,572	The performance of surrounding councils is driven by Randwick's result, where actual maintenance is reported at 143.83% of "required maintenance". The City projects above-benchmark performance from 2015-16 in its Long Term Financial Plan.
101,795	84,761	186,556	
88.33%	110.49%	98.40%	
Cost of Debt Service			
0	8,902	8,902	The small debt liabilities of Woollahra and Waverley result in above benchmark performance when combined. The City is debt free.
1,721,067	1,143,161	2,864,228	
0.00	0.008	0.003	
Real Operating Expenditure Over Time			
Increase in 2 of the past 5 years	Increase in 2 of the past 5 years	Increase in 2 of the past 5 years	All Councils in the group perform similarly. Changes to depreciation as a result of compulsory asset revaluation have influenced the result.

Source: 2013-14 Published Annual financial statements

Notes
Both Woollahra and the City of Sydney have revised estimates of "Cost to bring to a Satisfactory Standard" for the 2013-14 financial year, affecting the Infrastructure Backlog Ratio

Figure 6: Total asset base of council group



2.4.3
Building and infrastructure asset analysis

The City's fixed asset base is substantially larger than the other councils combined. As a result, the City's asset management practices (and resultant performance against asset management ratios) greatly influence the overall performance of any notional 'combined council' scenario.

Depreciation is an important component of the Fit for the Future ratios. It is included in three out of seven mandated Fit for the Future ratios.

However, there are no industry-wide accepted definitions for the life of assets—depreciation is a function of the asset value and management practices of a council. The City of Sydney uses average depreciation rates higher than other councils in the group proposed by the ILGRP. In reviewing the financial performance of the group, consideration needs to be given to the differing approaches to estimating the useful lives of assets.

A clear example of this is the life of road formation assets (the base layer of roads), which account for about 30% of the total value of a road. The City currently depreciates the road formation component of roads over 100 years. North Sydney uses up to 120 years and Waverley up to 60 years, while Randwick assigns an infinite life (no depreciation expense). The City of Sydney also depreciates fixtures and fittings and office equipment far more quickly than Randwick.

Useful lives are, at best, estimates based upon engineering or technical advice. If assets are used more intensively or the conditions in which they are built are less favourable, then depreciation rates are likely to be higher. The Southern Sydney Regional Organisation of Councils (SSROC) is working to develop a more standardised approach.

Figure 7 shows the annual depreciation expense of each council relative to the expense that would be incurred if the City of Sydney's average rates were applied. In the case of Randwick, applying City of Sydney average depreciation (by asset class) would add an additional 46% or $10.5 million per annum.

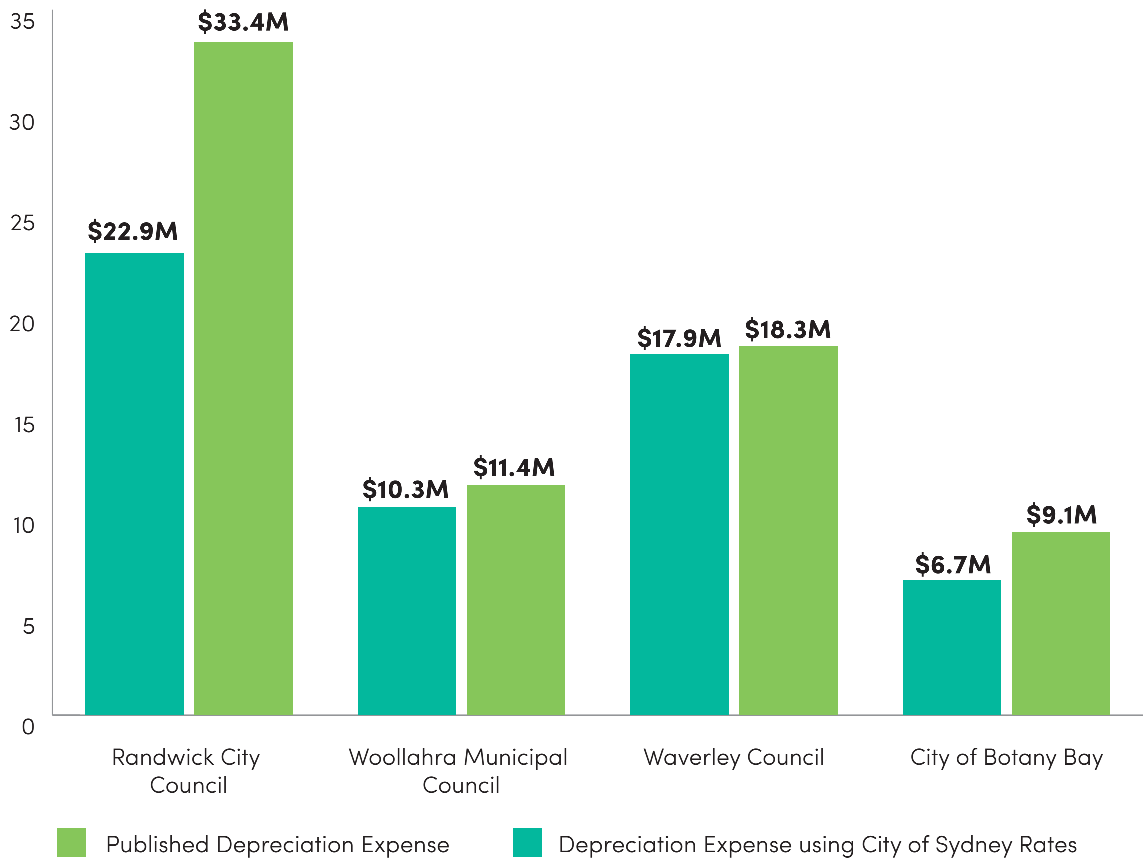
Valid comparisons between each of the councils are highly problematic given these markedly different approaches. If the City of Sydney were to adopt the depreciation rates on infrastructure assets used by Randwick, performance against the mandated asset renewal ratio would improve dramatically. Other criteria, including Operating Performance Ratio and Real Operating Expenditure per Capita would improve significantly.

John Comrie notes the challenges, which are not unique to local government, in using depreciation in comparisons:

Most local government assets (primarily infrastructure) are long-lived and not traded in markets. There is therefore more uncertainty as to their fair value for accounting purposes than for the assets of many other entities. This issue is exacerbated because in at least some jurisdictions local governments have not regularly re-valued assets to take account of relevant factors including, for example, price movements. Asset lives and rates of consumption are often also difficult to predict. These factors collectively give rise to some uncertainty as to the reliability of local governments' reported depreciation expenses.

Comrie, J. 2013, In Our Hands: Strengthening Local Government Revenue for the 21st Century. Australian Centre of Excellence for Local Government, University of Technology, Sydney.

Figure 7: Depreciation Expense Analysis – Published compared with City of Sydney rates



2.4.4
Organisational compatibility

In assessing the compatibility of the five councils recommended for amalgamation by the ILGRP, the City has analysed a range of key metrics, indicators and operational areas.

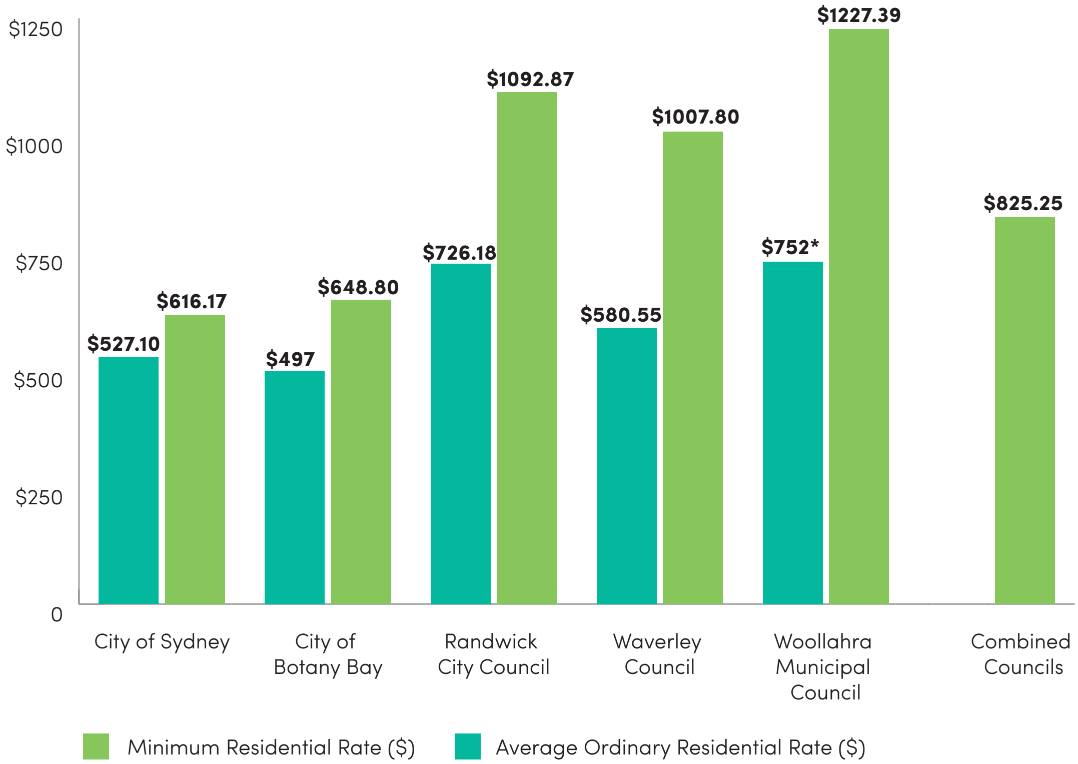
Rates income

Comparison and analysis of rating income is inherently difficult, due to variations in applicable ad valorem rates across different local government areas, and also the nature and mix of properties within an area. Figure 8 provides an assessment on the current rating structure.

Figure 8 suggests that the City of Sydney and Botany Bay have a similar rating profile, which reflects higher density strata units in those areas, with average rates much closer to the minimum than in surroundings councils. The implication is that a larger percentage of ratepayers are on the minimum residential rate, which is typically associated with strata units. In Randwick, Waverley and Woollahra, the larger gap between the minimum and average rates reflects a lower density mix of dwellings. Randwick is roughly the mid-point of this sample, with a mix of older, standalone residential and higher density unit blocks.

Figure 10 shows that residential rates form the majority of the rates income stream for Randwick, Waverley and Woollahra. The City of Sydney and Botany Bay issue a large number of residential assessments, but the majority of rates income for both councils is from business rates. In the case of the City of Sydney, there is high volume of businesses within the Sydney CBD.

Figure 8: Minimum rates and average rates by council



*Woollahra charge a base rate of $571.45 + $75.65 environmental levy + ad valorem. Minimum charge estimated to be $752

Figure 9: Average rate as a percentage of minimum rate by council (2013-2014)

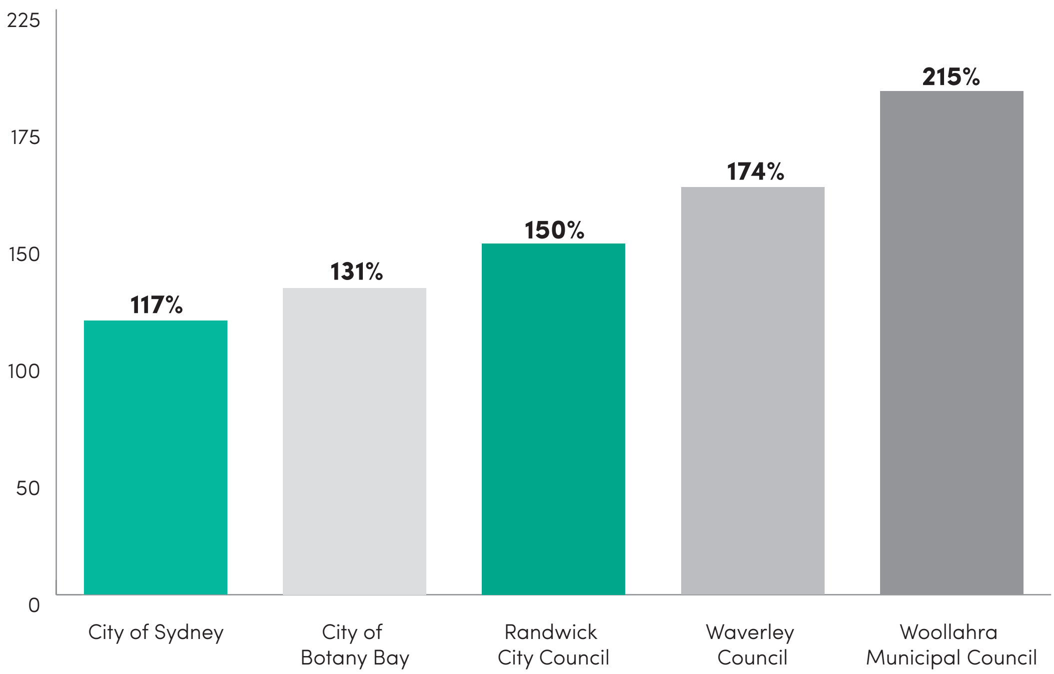


Figure 10: Number of rates assessments/income (2013-2014) by council

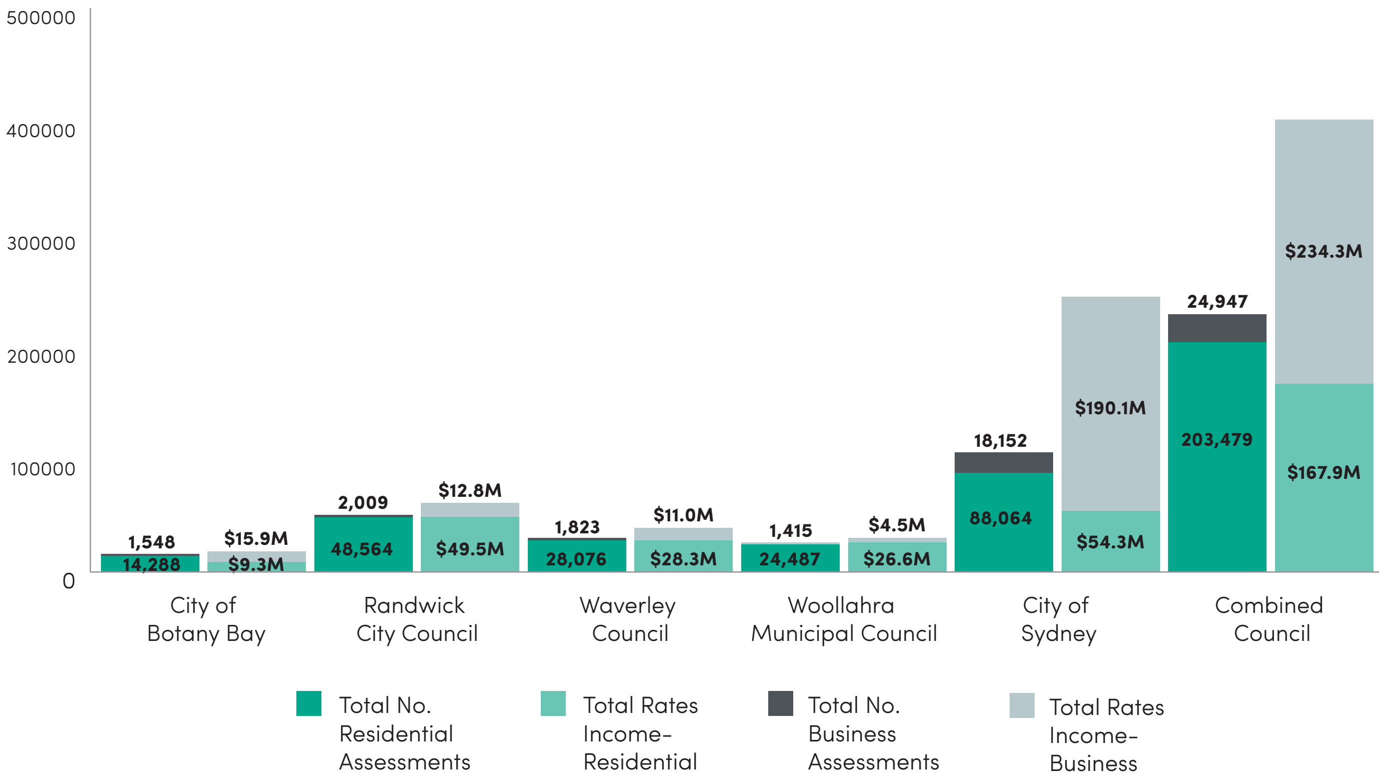
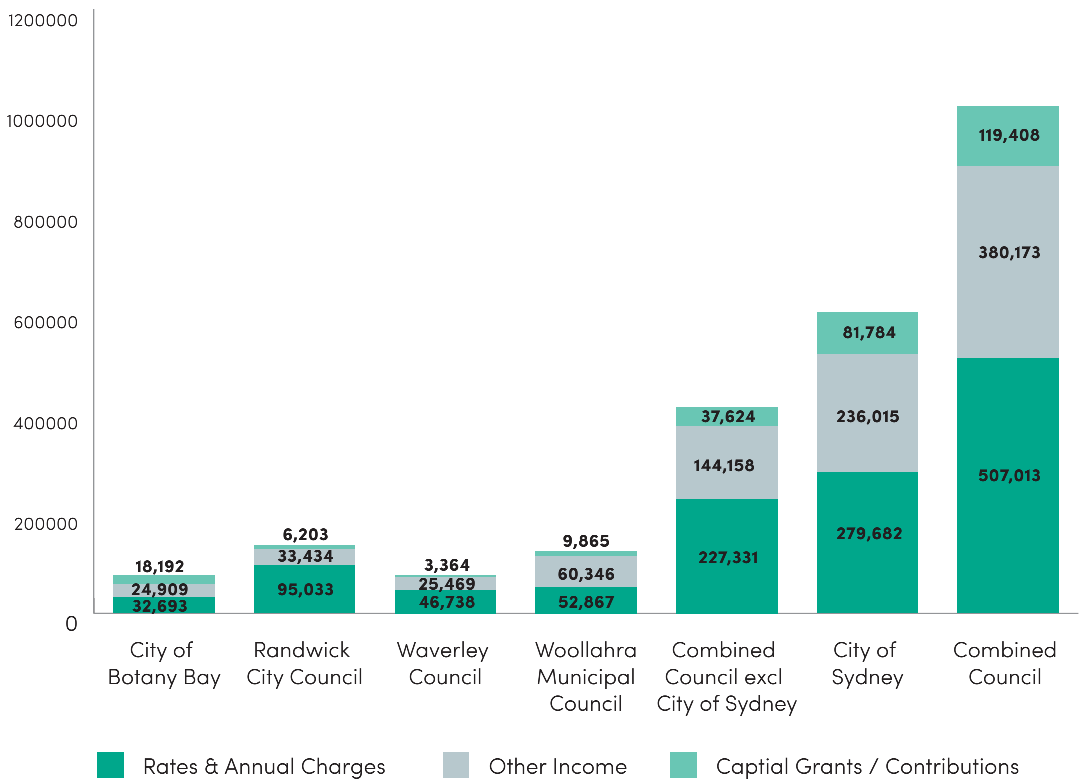


Figure 11: Rates as a proportion of income (including/excluding Capital Grants and Contributions)



2.4.5 Development Application Processing

The volume, size and complexity of development applications processed by the City demonstrate the council's scale and capacity.

With an average of 1,840 development assessments annually, the City's volume is nearly equal to all councils in the group combined (49%). The size and complexity is highlighted by a total volume of $3,348 million (75% of the combined total) with an average value of $1.82 million. (See Figure 12 to Figure 16.)

Any incremental increase in volume (or value) that may result from amalgamations would be of negligible benefit to the City's capacity to deliver this service and risks diverting resources away from critical strategic work in planning assessments.

Figure 12: Number of development applications determined

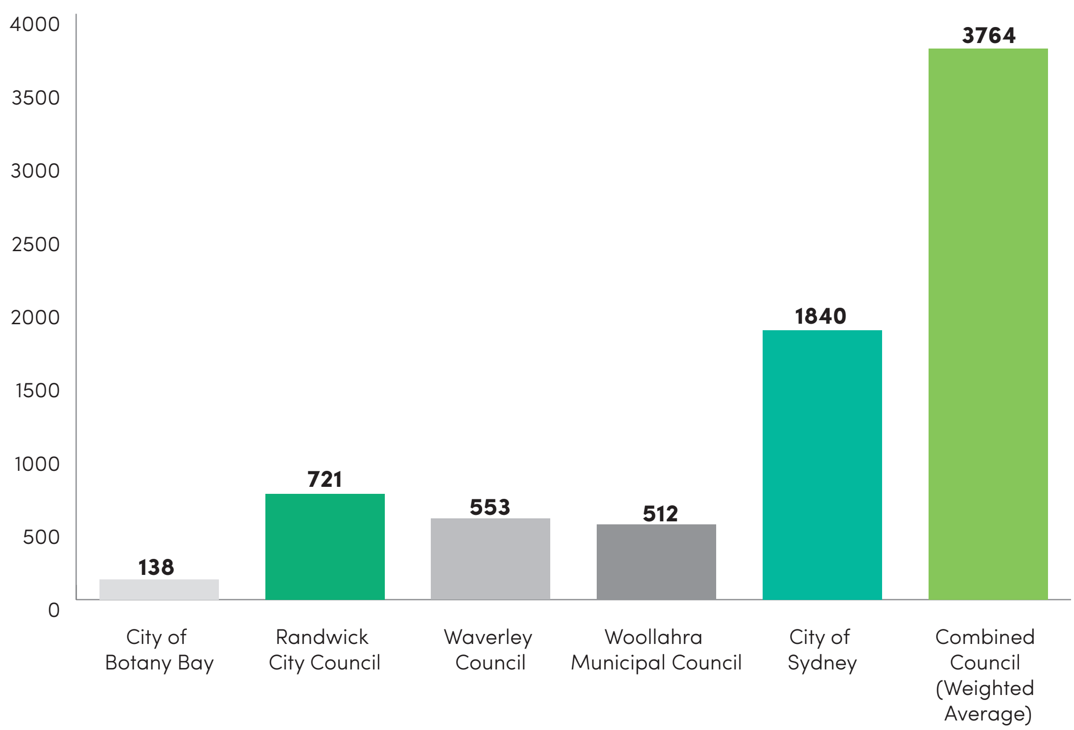


Figure 13: Development applications determined (overall percentage)

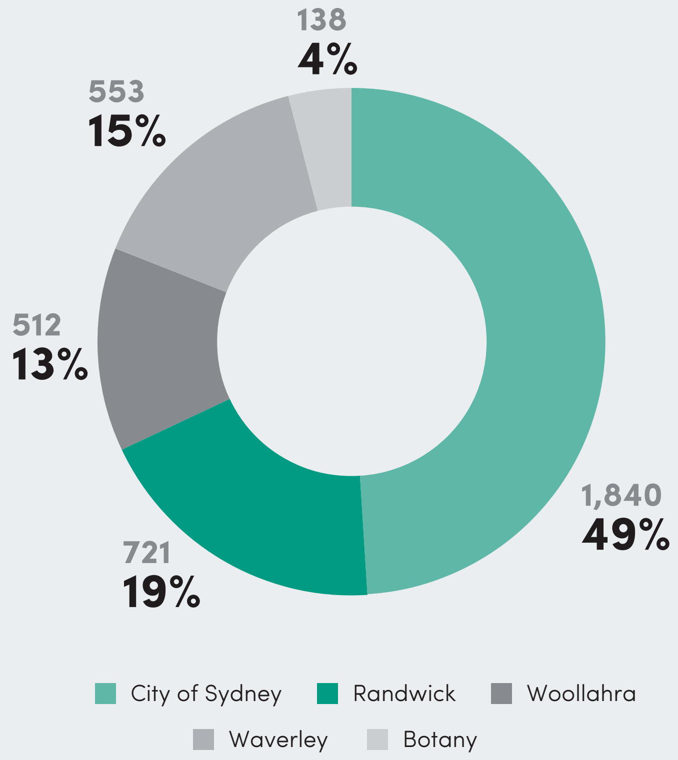


Figure 14: Value of development applications determined

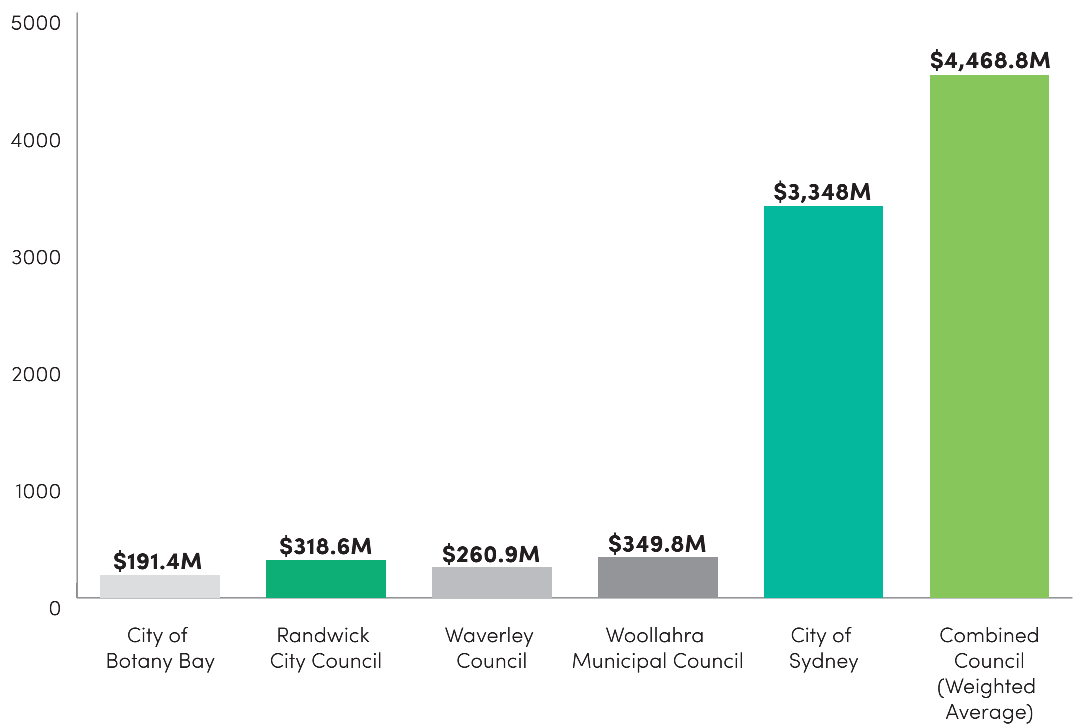


Figure 15: Value of development applications determined (overall percentage)

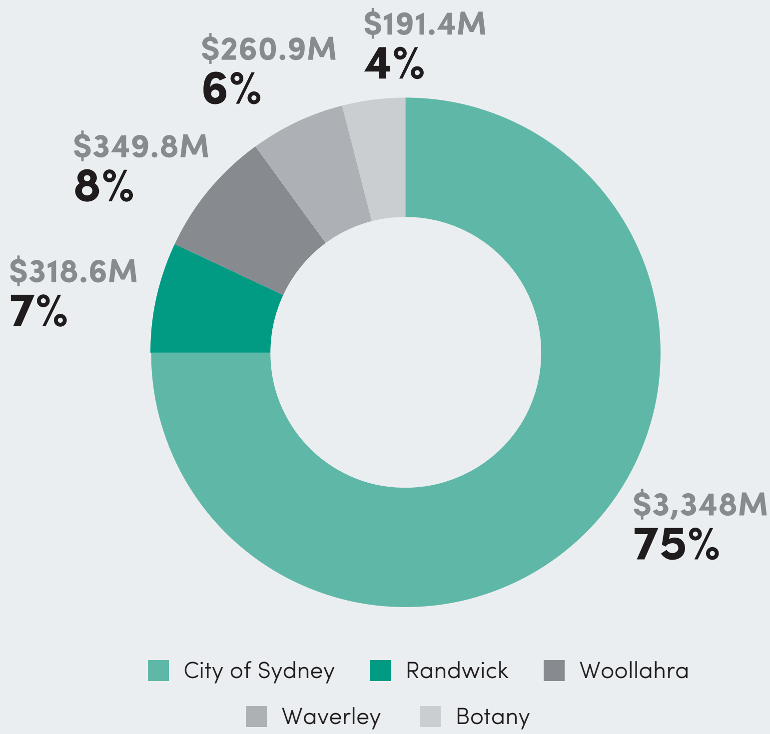
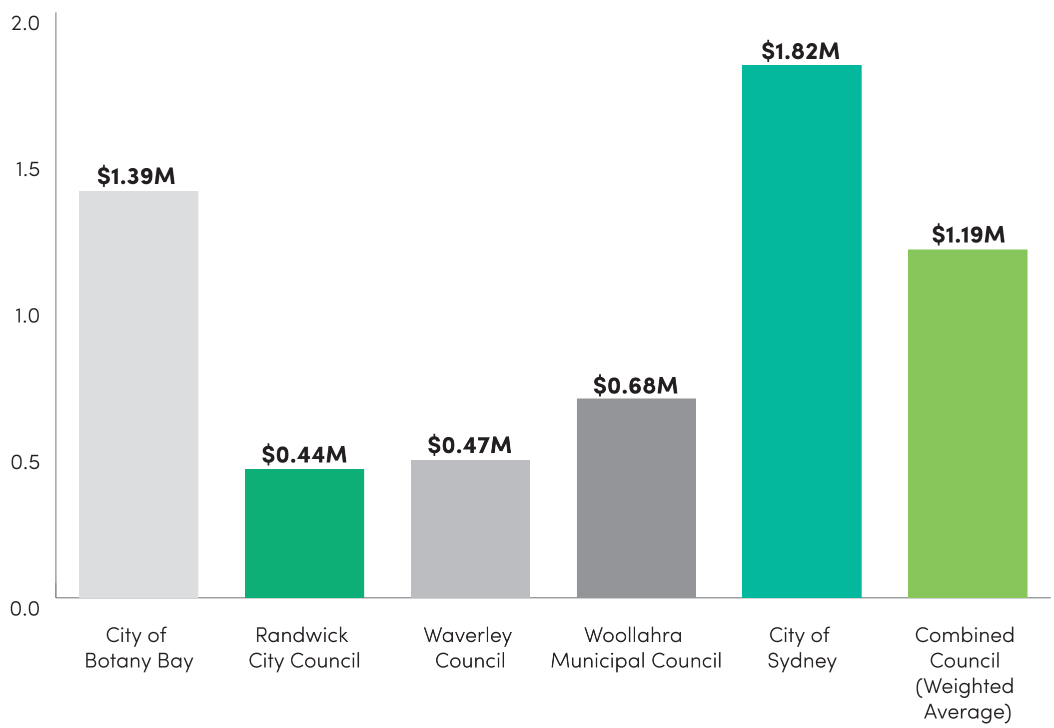


Figure 16: Average value of development applications determined

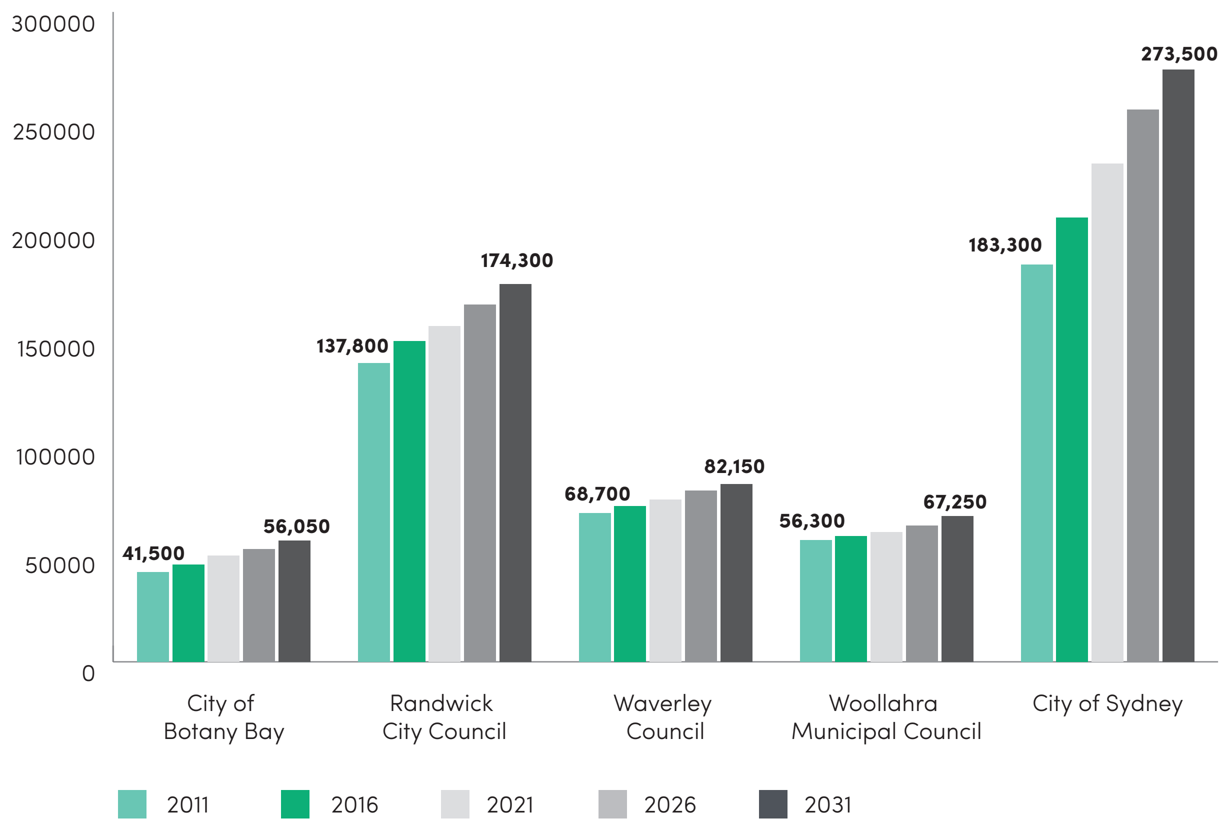


2.4.6
Residential population projections

The City of Sydney's residential population is estimated to have recently passed 200,000. By 2031, it is estimated 273,500 people will live within the existing local government area, approximately 48% of the population in the full group of five local government areas.

The City of Sydney is one of the largest and fastest growing local government areas for residential population in NSW. In the six months to January 2015, 2,848 new dwellings were completed in the City of Sydney—one in five new dwellings in metropolitan Sydney.

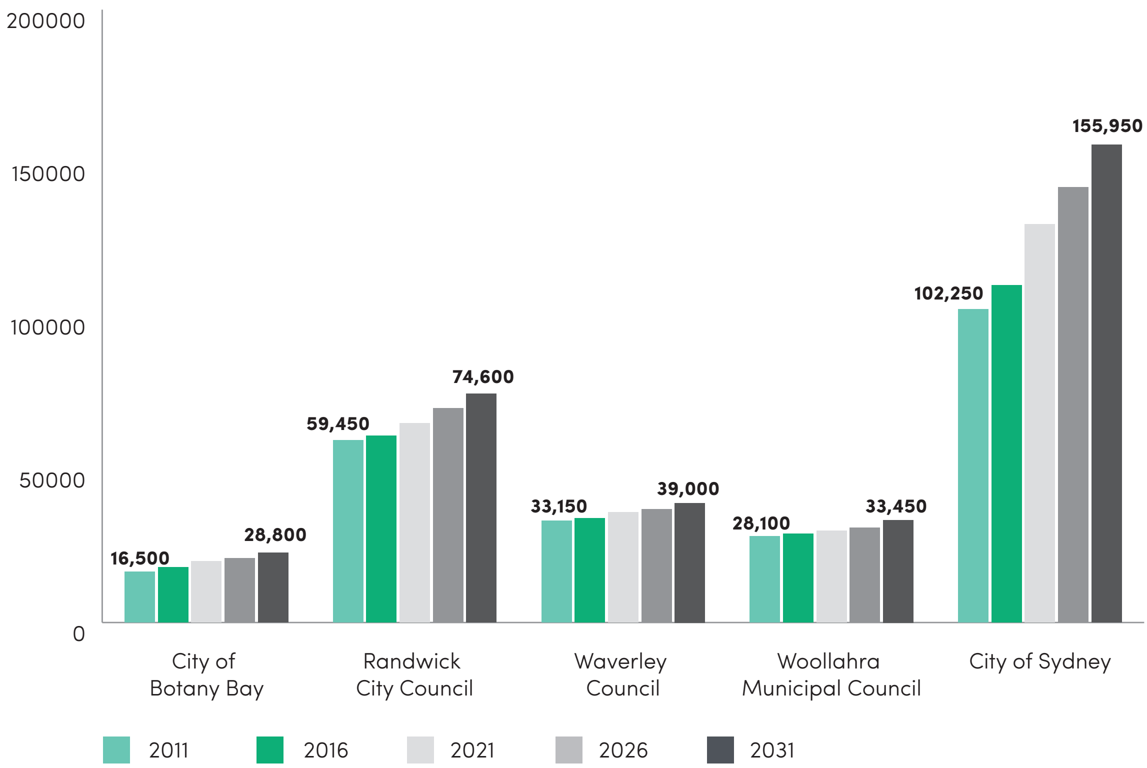
Figure 17: Residential population projections by council



200,000

The City of Sydney's residential population is estimated to have recently passed 200,000

Figure 18: Projected number of dwellings by council



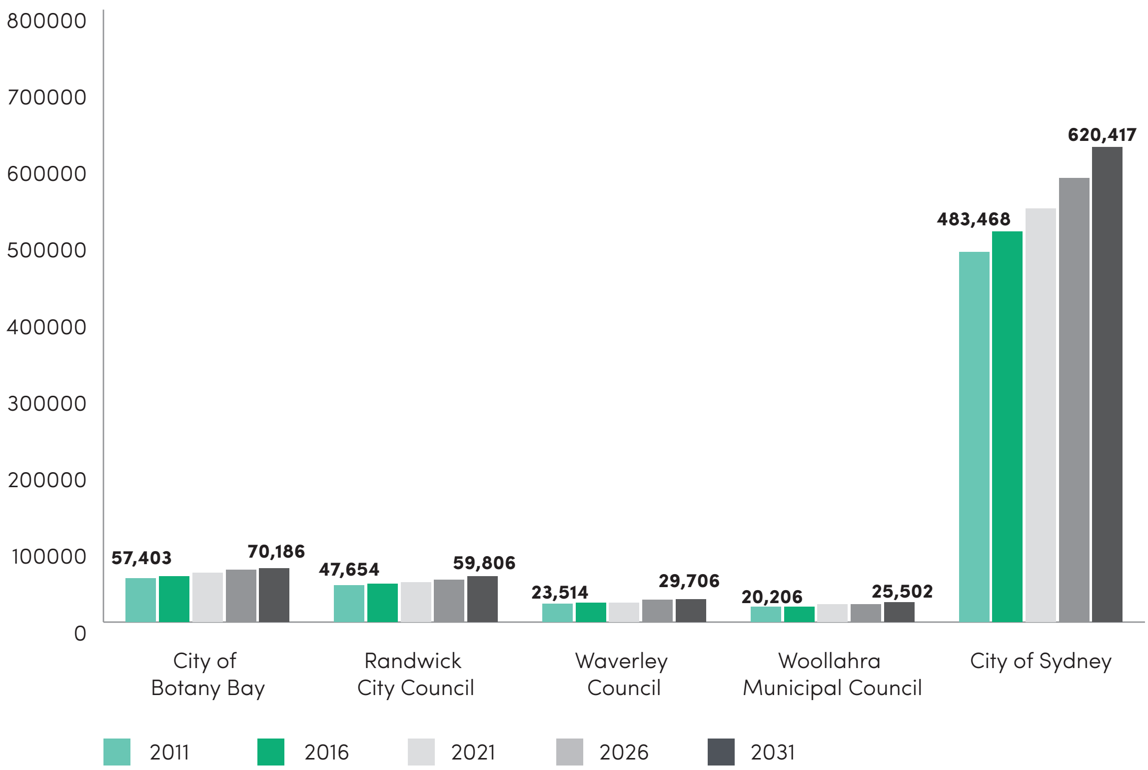
2.4.7
Employment growth

The City of Sydney's status as Australia's global city is reinforced by the scale of the worker population within the area. As shown below, the City's worker population far exceeds that of the surrounding councils combined, and is indicative of the significant business activity undertaken.

Census data from 2006 to 2011 indicates employment growth in the City accounted for almost 40% of the entire jobs growth in the Sydney metropolitan area. This figure suggests that over the period, employment in the City area grew at twice the rate of the rest of the metropolitan area.

The City of Sydney also utilises significant resources in providing services, facilities and infrastructure to the worker population (as part of the 1.2 million people within the area each day). The City's population is active day and night, and the level of services needed generally far exceeds that of our residential communities alone. This worker population is a key driver of operational and capital expenditure.

Figure 19: Projected worker population by council



2.4.8
Businesses within the local government areas

The City of Sydney monitors the number of business establishments that occupy floor space and employ staff within the local government area. The City of Sydney Floor Space and Employment Survey, the most comprehensive in the world, is undertaken every five years and involves physical visitation and observation of all buildings and business establishments across the local government area. The last survey in 2012 identified 21,644 business establishments operating in the local government area.

The surrounding councils do not undertake a similar floor space survey, so no direct comparison of business numbers is possible.

The Office of Local Government uses data sourced from the ABS business register to indicate the number of active businesses in each local government area. The figure below summarises that data for the group of councils recommended for amalgamation. This is the number of active business registrations within the areas, rather than the number of establishments. One physical business establishment can have multiple business registrations. The ABS itself identifies 37,911 non-employing businesses.

While the number of registrations overestimates total business establishments, it provides an indicator of the comparative scale of the City of Sydney and other councils in the group. At 62,452 business registrations in the City, this local government area has 64% of the total in the combined area.

Figure 21: Active businesses in the local government area (percentage)

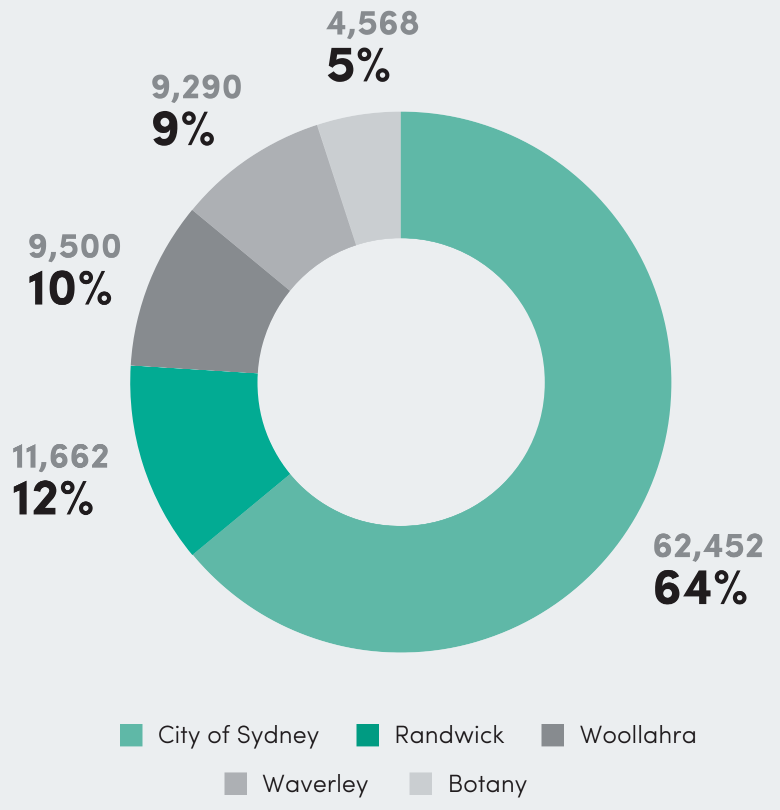


Image: Waterloo Skate Park

Response to Template 2: Council Improvement Proposal (Existing Structure)

The NSW Government has provided a template for providing Fit for the Future proposals. This section responds to the specific requirement of that template and under the specific headings of that template.

3.

3.1 Council details

3.1.1
Executive summary

"Provide a summary of the key points of your proposal including current performance, issues facing you council and your planned improvement strategies and outcomes."

The City of Sydney meets all necessary criteria to be Fit for the Future, with the scale and capacity to deliver the outcomes agreed with our local residential and business communities, and for global Sydney in partnership with the NSW Government.

In contrast, an amalgamation at this time would not improve the City's contribution and role, however it may have a seriously adverse impact on the City of Sydney's capacity to deliver during a period of significant development growth and urban renewal, that requires a focus and relies on our expertise, strategic planning and financial investment. An amalgamation at this time will put investment at risk and impact negatively on the NSW economy.

The City supports the TCorp definition of financial sustainability that "A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community".

The goal of Independent Local Government Review Panel, as noted by Professor Graham Sansom in his recent submission to the IPART was "achieve adequate strategic capacity as units of government, as effective democratic institutions, and as valued partners of the state government in managing the future of Australia's foremost 'global city'". Professor Sansom added that the ILGRP "did not base its case for metropolitan mergers on the need to improve financial sustainability or to achieve increased efficiency and cost savings as a primary objective".

The City's analysis shows that the City, in its current form, possesses sufficient scale and capacity, to achieve the goals envisaged by the IGLRP. The City's existing financial sustainability, as endorsed by TCorp and set out within our IP&R documents, is sufficient to continue to meet the demands of our community and to contribute to Sydney's status as Australia's global city.

Historical precedent indicates that amalgamations of local governments give rise to financial and operational risks, particularly in the short to medium term. There is marginal financial benefit amalgamating the City of Sydney, Woollahra, Waverley, Randwick and Botany Bay. Detailed analysis by Randwick City Council, reviewed and supported by the City, points to a potential savings over the next decade of only 54 cents per resident per week. These marginal benefits would be dwarfed by the economic impact of disruption to City of Sydney operations, major development in the city and critical infrastructure projects currently underway.

This submission recommends:

- **The City of Sydney has scale and capacity to be Fit for the Future.**
- **No major structural change be undertaken to the City's boundaries at this time.**
- **Priority action on important reforms to the legislative and regulatory framework for governance, financing and collaboration/ coordination.**
- **Local government areas excised and transferred to the NSW Government (Sydney Harbour Foreshore Authority, Barangaroo Delivery Authority and UrbanGrowth NSW) be returned to the City's authority.**
- **A broad range of measures, incorporated within our Integrated Planning and Reporting Program, continue delivering outcomes agreed with our communities and with the NSW Government.**

3.1.2
Scale and Capacity

"Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel? If no, please indicate why you are not proceeding with a voluntary merger and demonstrate how your council has scale and capacity."

The City of Sydney has scale and proven capacity, demonstrated by past performance and the future long-term plan and financial plan. The City has planned, funded and delivered world-class services and infrastructure that meet the economic, social, cultural and environmental needs of our city.

Each day, there are an estimated 1.2 million residents, workers and visitors in our local government area. The area generates $108 billion worth of economic activity annually, which is more than 30% of metropolitan Sydney's economic activity and almost one-quarter of the NSW state gross domestic product (GDP). Services and infrastructure provided by the City of Sydney to meet the demands of this extended population require a scale of operations far in excess of that to meet the needs of the residential population alone.

The City's strong financial position has been independently verified by the City's external auditors, PricewaterhouseCoopers and the NSW Government's TCorp. The 2013 TCorp Review of local government financial sustainability confirmed the City has "strong operating surpluses, strong levels of liquidity, good financial flexibility and no debt." It assessed our finances as "strong" with a "positive outlook"— the only NSW council with this rating.

TCorp also noted that while a high population density and low reliance on external sources of funds are important factors to a sustainable council, other factors which can assist their sustainability position include:

1. **Responsible council that understands its role**
   - Council that has a long term vision
   - Council that concentrates on "fit for purpose" assets
2. **Quality management and staff**
   - Experienced management team
   - Appropriately qualified engineering staff
   - Ability to attract and secure quality and skilled employees
3. **Good reporting and budgeting**
   - Conservative budgeting helps attain necessary operational surpluses

Since the election in 2004, the City's Annual Operating Result has been a surplus in excess of $100 million. The City's long term financial plan demonstrates capacity to continue this history of strong financial management, undertaking routine infrastructure renewal works while delivering major new initiatives such as the City's $220 million contribution to the NSW Government's light rail project and delivery of infrastructure for the Green Square urban renewal project, including a $58 million contribution to trunk drainage works at Green Square in partnership with Sydney Water (a state government agency).

The City, as detailed in section 4.1, has demonstrated its strategic capacity against the Key Elements of Strategic Capacity identified in the ILGRP's report, particularly in relation to financial management and effective partnerships with the state. The City does not believe that the proposed amalgamation enhances this capacity.

Growth and renewal in the City of Sydney local government area is anticipated to continue, including an estimated $30 billion to $40 billion of development investment over the next decade.

The City of Sydney has established its reputation as 'green, global and connected' by aligning its resources, operations and budget to deliver Sustainable Sydney 2030, our extensively researched and publicly endorsed long-term strategy.

3.2 Council position

3.2.1
About your local government area

"Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future."

The City of Sydney is a leading council in NSW and Australia's global city council.

Each day, there are an estimated 1.2 million residents, workers and visitors in our local government area. The area generates $108 billion worth of economic activity annually, which is more than 30% of metropolitan Sydney's economic activity and almost one-quarter of the NSW state gross domestic product (GDP). As at the end of June 2014, the Estimated Resident Population of the City of Sydney was 198,331, with an average age of 32 years. Over 435,000 people work in the City each day, including two thirds of our residents. The City's Floor Space and Employment Survey identified over 21,000 businesses operating in the local government area in 2012.

The City has the highest population density in NSW at 1,695 persons per square kilometre in June 2014, and is amongst the state's fastest growing councils. The City of Sydney is one of the few local government areas in NSW to meet and exceed the housing and jobs targets set by the NSW Government. In the five years to 2012 the number of private dwellings grew 9.2%, from 89,749 to 98,012; and employment grew 13.6%, from 385,421 to 437,727 jobs.

Further detail is available in Attachment 2 — Profile of the City.

In 2008, after detailed research and extensive public consultation, the City adopted Sustainable Sydney 2030, our long-term action plan for our City. The community told us they wanted a city which was green, global and connected. The City is actively implementing Sustainable Sydney 2030—building new cycling infrastructure; reducing carbon emissions and producing renewable energy; developing a cultural policy and a strategy for the late night economy; preparing an Economic Development Strategy; and developing the Eora Journey in collaboration with our Indigenous community.

The City's priorities over the next 10 years build on this work and are outlined in the Integrated Planning and Reporting documentation available at Attachment 1. They include working with the NSW Government to transform George Street and Green Square; delivering facilities to address the shortage of child care for residents and workers; continuing to improve our city for pedestrians and cyclists; and implementing strategies for a liveable, global city, developed through consultation, such as the Live Music Action Plan.

The challenges faced by the City include managing the uncertain environment within which we operate. Proposed reforms to planning legislation and the Local Government Act, reforms recommended by the Independent Local Government Review Panel, and potential amalgamations create an environment that undermines long-term planning and damages investment confidence.

The lack of clarity and certainty about the responsibilities of local and state governments, along with increased community expectations, means councils are constantly working to do more with less.

3.2.2
Key challenges and opportunities

3.2.2.1 Strengths

- **Long-term strategic plan** (Sustainable Sydney 2030) publicly endorsed.
- **Strong financial sustainability**—strong operating income and controlled operating expenditure reflected in operating performance ratio.
- **Diversified income base,** including strong own source revenue provides security into the future.
- **Asset management**—processes that facilitate targeted and prioritised asset renewal and maintenance works.
- **Strategic capacity** to continue delivering.
- **High trust levels** with our residential and business communities.
- **International reputation** for high quality, well designed and innovative infrastructure, services and policies.
- **Broad partnerships** with stakeholders within and outside the local government area.
- **Effective political leadership and corporate governance,** including long-term stability.
- **Effective action to reduce greenhouse gas emissions** with community and business.

3.2.2.2 Weaknesses

- **Local government areas excised by the state government**—resulting in fragmented planning for key renewal sites and foreshore areas.
- **Lack of direct authority** for planning and delivering projects the community expects (especially roads and transport).
- **Regulatory, compliance and reporting burdens,** as reviewed by IPART.
- **Rate pegging** and outdated rating systems.
- **Lack of effective partnership with State** based on cooperation and mutual respect.

3.2.2.3 Opportunities

- **Delivery of Sustainable Sydney 2030** secures Sydney's global reputation.
- **Period of peak development and economic activity.**
- **Cooperative metropolitan planning and governance** through implementation of A Plan for Growing Sydney.
- **Independent Local Government Review Panel recommendations implemented** for finances, governance and partnerships, including creation of Sydney Committee similar to Adelaide model.
- **Borrowing capacity for future infrastructure**—as noted in TCorp assessment of City financial sustainability.
- **Innovative public benefit outcomes** (resulting from large scale developments) providing new infrastructure, amenity and funding.
- **CBD light rail and pedestrian improvements** providing for transformation of central Sydney.
- **Green Square urban renewal** that will secure essential growth in jobs, housing and liveability.
- **Expanding digital, creative start-up economy** that will underpin Sydney global reputation.

3.2.2.4 Threats

- **Disruption from forced amalgamation or boundary change** undermines continuity of operation.
- **Failure of federal, state and city to cooperatively reduce carbon emissions** from cities, resulting in financial and social impacts from climate change.
- **Inconsistent engagement by other levels of government** prevents essential joint outcomes.
- **Lack of control over securing public benefits** from major renewal areas (Central to Eveleigh, Bays Precinct).
- **Delivery of George Street light rail** stalled or completed without essential public domain renewal.
- **Green Square urban renewal undermined** by failure to plan for and provide essential infrastructure such as transport and education.
- **Lack of housing affordability** stalls City economy and liveability.
- **Future cost-shifting** by other levels of government.

3.2.3
Performance against the Fit for the Future benchmarks

Per the assessment methodology issued by the IPART in June 2015, the seven Fit for the Future performance measures (and their corresponding benchmarks) are to be scaled as:

a) 'Must Meet'
b) 'Must Demonstrate Improvement In'; and
c) 'Informs Assessment'

The below details the City's projected performance against the respective benchmarks.

3.2.3.1 Sustainability

Operating Performance Ratio – identified as 'Must Meet'
(Benchmark: greater than 0%)

Identified in the TCorp review as a core measure of financial sustainability, this ratio essentially measures a council's Operating Result excluding Capital Grants & Contributions (which are typically tied to delivery of new capital works). Performance at or above benchmark indicates that council has the ability to internally generate sufficient funding for its ongoing operations.

Actual and projected performance:

	2013-14	2016-17	2019-20	2024-25
Ratio Performance	4.42%	2.32%	0.80%	0.43%
Meets benchmark level?	Yes	Yes	Yes	Yes

All years within the plan are expected to remain above benchmark, though the declining ratio reflects new assets and services to meet increasing demand. This trend supports the need for amendments to current rating legislation as recommended by the ILGRP, in order to improve equity and ensure long term financial sustainability.

Own Source Revenue Ratio – identified as 'Must Meet'
(Benchmark: greater than 60%)

A measure of fiscal flexibility, Own Source Revenue refers to a council's ability to raise revenue through its own internal means, thereby reducing reliance on external sources of income and insulating against negative fluctuations in external funding.

Actual and projected performance:

	2013-14	2016-17	2019-20	2024-25
Ratio Performance	84.62%	87.68%	91.86%	92.81%
Meets benchmark level?	Yes	Yes	Yes	Yes

The City will continue to perform at levels in excess of the benchmark. Increasing ratios reflect the anticipated incremental growth of the City's rating base, relative to other income sources. However, the City will continue to seek a diversified income base, to minimise the burden on ratepayers in funding services and asset delivery.

Building and Infrastructure Asset Renewal Ratio – identified as 'Must Demonstrate Improvement In'
(Benchmark: greater than 100%)

Actual and projected performance:

	2013-14	2016-17	2019-20	2024-25
Ratio Performance	77.48%	79.63%	48.42%	59.63%
Meets benchmark level?	No	No	No	No

This measure is intended to indicate the extent to which a council is addressing the deterioration of its building and infrastructure assets (i.e. renewal expenditure as a proportion of annual depreciation expense). The implication of the benchmark is that a council's annual depreciation expense is the indicative level of required annual renewal of its assets.

The mandated use of depreciation in calculating the required level of asset renewal is flawed. Depreciation – a systematic allocation of the economic benefits of assets – is not necessarily reflective of the renewal requirements for an asset; particularly those assets with longer useful lives. This view was supported by John Comrie in the 3 October 2014 paper **Review of TCorp's Report 'Financial Sustainability of the NSW Local Government Sector'.** Comrie notes:

> The weighted average life of local governments' stock of depreciable assets is typically very long (often 40 years or more). Annual average asset renewal needs for classes of assets like stormwater drainage, road pavements and buildings are unlikely to be constant over time. They are likely to be periods of peaks and troughs. Rather than spend an amount on asset renewal each period consistent with annual depreciation, a council would be better advised to undertake asset renewal in accordance with levels and timing outlined in a soundly based asset management plan.

The paper goes on to cite experiences in South Australia, in relation to the use of this measure:

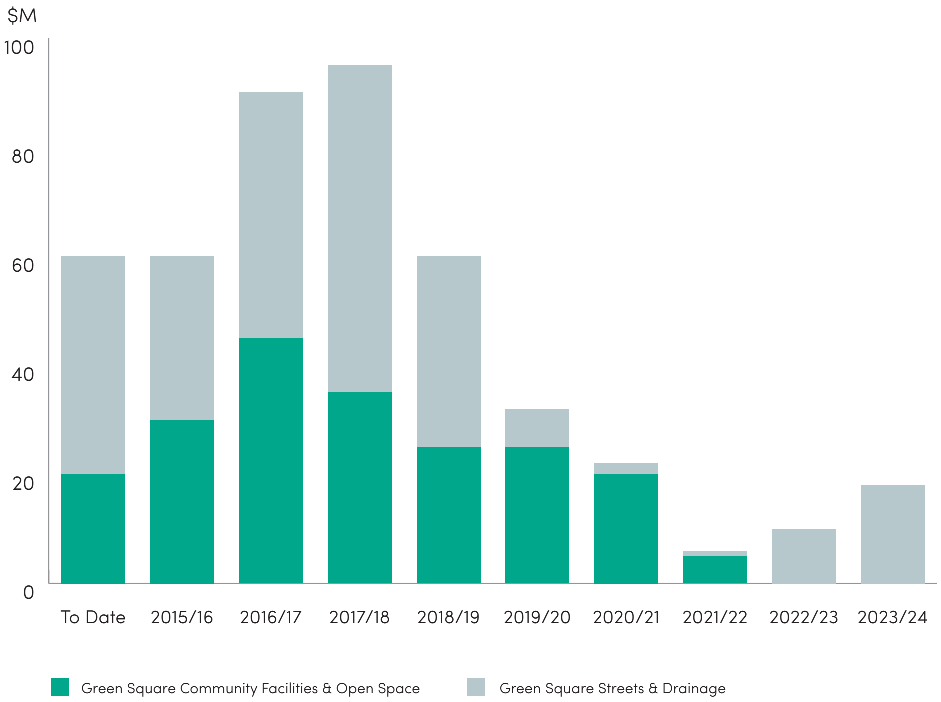
> South Australian councils were required to report asset renewal relative to depreciation for several years but results proved generally an inconclusive indicator of warranted performance. Now that SA councils have had several years' experience with asset management planning they are instead required to report (in their budgets, financial statements and long-term financial plans) asset renewal expenditure levels relative to asset management plan identified renewal needs for the same period.

Additionally, a later paper from Local Government New South Wales, FFTF – LGNSW Submission: Independent Review of FFTF Criteria (Comrie Supplementary) February 2015 noted:

"The draft 2nd edition of the Institute of Public Works Engineering Australasia's (IPWEA's) Australian Infrastructure Financial Management Guidelines (AIFMG) (currently out for consultation) discourages use of this indicator."

The City of Sydney strongly supports the arguments above, and instead proposes an alternative Asset Renewal Ratio (as noted below, and again in section 3.3.1.4 of this submission). Utilising councils' Asset Management Plans (as part of the IP&R suite of documents) provides a much more relevant measure of a council's asset renewal performance over time.

Figure 22: Green Square building and infrastructure expenditure



Acknowledging the inherent deficiencies of this ratio as detailed above, the City's performance in respect of asset renewals is forecast to temporarily decline in the mid-term. During this period, the capital works program is focused on a substantial expansion of the City's infrastructure assets occurring in relation to the delivery of the Green Square urban renewal precinct. Asset renewal expenditure will subsequently lift albeit against increased underlying depreciation expense (driven by the newly constructed assets). The pattern of Green Square expenditure may be seen in Figure 22.

Alternative Building and Infrastructure Asset Renewal Ratio* – identified as 'Must Demonstrate Improvement In'
(Benchmark: greater than 100%)

*The City has used calculations of "Required Asset Renewal" from its Asset Management Plan (part of the IP&R suite of documents) and the ratio projections reflect this approach.

Actual and projected performance:

	2013-14	2016-17	2019-20	2024-25
Ratio Performance	90.87%	112.39%	76.25%	105.95%
Meets benchmark level?	No	Yes	No	Yes

The City's Capital Program is expected to yield above benchmark results in the three years to 2016-17 as significant asset renewal works are undertaken. The three years to 2019-20 mark a temporary decline in asset renewal works, as organisational capacity is instead focused on the delivery of significant new assets, particularly within Green Square. The above-benchmark performance in the final five years of the plan reflects a return to "business as usual", and is reflective of demonstrated improvement over the longer term.

3.2.3.2 Infrastructure and Service Management

Infrastructure Backlog Ratio – identified as 'Must Demonstrate Improvement In'
(Benchmark: less than 2%)

Infrastructure Backlog, in the context of this ratio, refers to an estimated cost to restore Council's assets to a "satisfactory standard", typically through renewal works. With renewal cycles that typically take place over the longer term, it is not unusual that some backlog will occur. Maintaining this ratio at lower levels over the long term will indicate that the service capacity of assets is being effectively maintained.

Actual and projected performance:

	2013-14	2016-17	2019-20	2024-25
Ratio Performance	2.80%	1.62%	2.26%	1.64%
Meets benchmark level?	No	Yes	No	Yes

Consistent with the Asset Renewal ratio above, the City's program of asset renewal is expected to result in a declining infrastructure backlog, as renewal projects bring assets to a "satisfactory standard". Accordingly, the declining performance in the three years to 2019-20 is reflective of the temporary reduction in renewal spending. The ratio is anticipated to return to better-than-benchmark levels in the latter years of the Plan.

Asset Maintenance Ratio – identified as 'Must Demonstrate Improvement In'
(Benchmark: greater than 100%)

The extent to which a council is adequately maintaining its building and infrastructure asset base is measured by expressing actual (planned) maintenance as a proportion of the "required" maintenance expenditure. A ratio result of greater than 100% will indicate a council is exceeding its identified requirements in terms of maintenance, which in turn should impact positively upon infrastructure backlog and required renewal levels.

Actual and projected performance:

	2013-14	2016-17	2019-20	2024-25
Ratio Performance	88.33%	112.12%	104.87%	102.11%
Meets benchmark level?	No	Yes	Yes	Yes

This Long Term Financial Plan, in conjunction with the Asset Management Plan, addresses identified asset maintenance requirements. Maintenance budgets over the life of the plan are forecast to marginally exceed benchmark levels and meet the increased requirements presented by a growing asset base. Continued strong maintenance levels are also expected to positively impact on both infrastructure backlog and required asset renewal levels over time.

Debt Service Ratio – identified as 'Must Meet'
(Benchmark: greater than 0, less than 0.2)

The effective use of debt may assist in the management of "intergenerational equity", and help to ensure that excessive burden is not placed on a single generation of a council's ratepayers to fund the delivery of long term infrastructure and assets. Other strategies, not reflected in this performance measure, may achieve an equivalent outcome, and a consistent program of capital delivery will also alleviate the need to excessively burden a particular set of ratepayers.

As noted in the IPART document Methodology for Assessment of Council Fit for the Future Proposals, the use of debt should be "compatible with the council's Asset Management Plan (AMP)". In the City of Sydney's case, as demonstrated in the asset management ratios above (and the City's Long Term Financial Plan), the use of debt financing is not currently required to meet its goals in respect of asset management.

Actual and projected performance:

	2013-14	2016-17	2019-20	2024-25
Ratio Performance	0.00%	0.00%	0.00%	0.00%
Meets benchmark level?	No	No	No	No

While the City of Sydney agrees with the underlying rationale for this benchmark, the requirement that councils use at least some debt is counter to decades of public sector orthodoxy and the continued practices of State and Federal Government to eliminate debt. The City's history of sound, prudent financial management has resulted in underlying operating surpluses and cash reserves to deliver its ten year capital program, ahead of any consideration of using borrowings.

Should circumstances change over the life of the Plan, the City will consider the use of debt, where appropriate, in delivering key projects. This may also encompass the use of internal borrowings, where restricted funds are not required for their specific purpose in the short to medium term. Further detail regarding the potential use of debt in the future is included in sections 3.3.2.3 and 3.4.1.

3.2.3.3 Efficiency

Real Operating Expenditure per Capita – identified as 'Must Demonstrate Improvement In'
(Benchmark: Declining over time)

Whilst the difficulty of adequately measuring public sector efficiency is acknowledged within Fit for the Future guidance materials, this measure nevertheless attempts to reflect the extent to which a council provides "value for money" through savings in underlying (inflation-adjusted) operating expenditure over time, relative to the population serviced.

Actual and projected performance:

	2013-14	2016-17	2019-20	2024-25
Ratio Performance	Increase in one or more years	Declining Trend	Declining Trend	Declining Trend
Meets benchmark level?	No	Yes	Yes	Yes

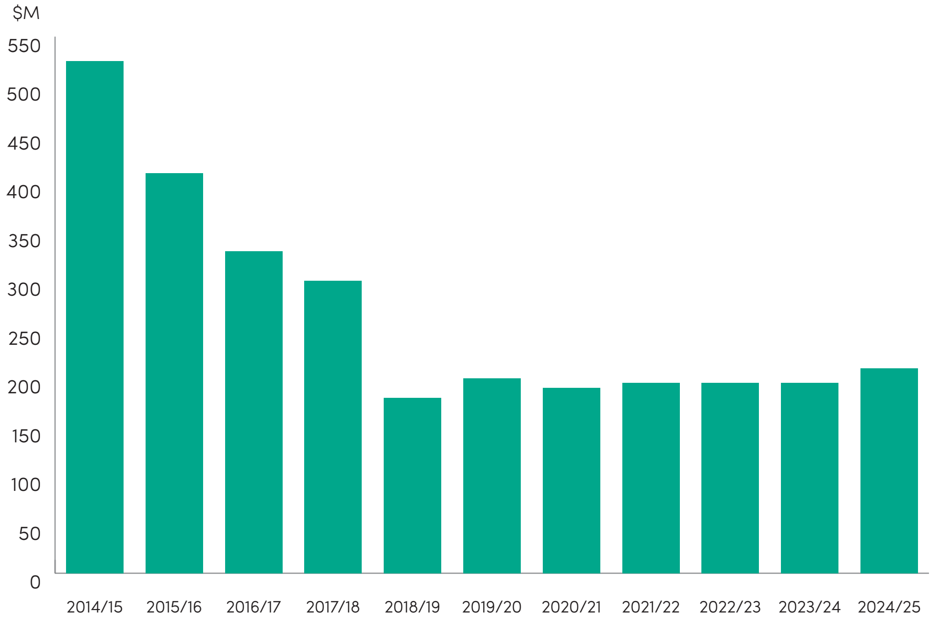
Note: the one off increase affecting the 2013-14 result was due to increased depreciation arising from asset revaluation, not an increase to underlying operating expenditure.

Although the City demonstrates increasing efficiency on this measure, residential population alone does not accurately reflect the City's performance. The value and complexity of development has almost doubled in the last few years, and the needs and expectations of the community have grown.

When the City of Sydney and South Sydney were amalgamated in February 2004, the combined staff numbers were 1,602 FTE. The current FTE is 1894.73. Over that time, the City's residential population has grown by over 32% and worker population by almost 15%. Our FTE has grown by 18%. The City has an average of one staff member for every 580 people who are in our area every day.

In that decade, we have not outsourced major services; in fact we have brought services in house, with dedicated teams to manage them, such as our Legal and Governance team, Customer Service and Call Centre and Community Engagement team. We have expanded existing services and introduced new services, including establishment of environmental, economic development and cultural teams.

Figure 23: Forecast Cash Reserves – 2014/15 to 2024/25

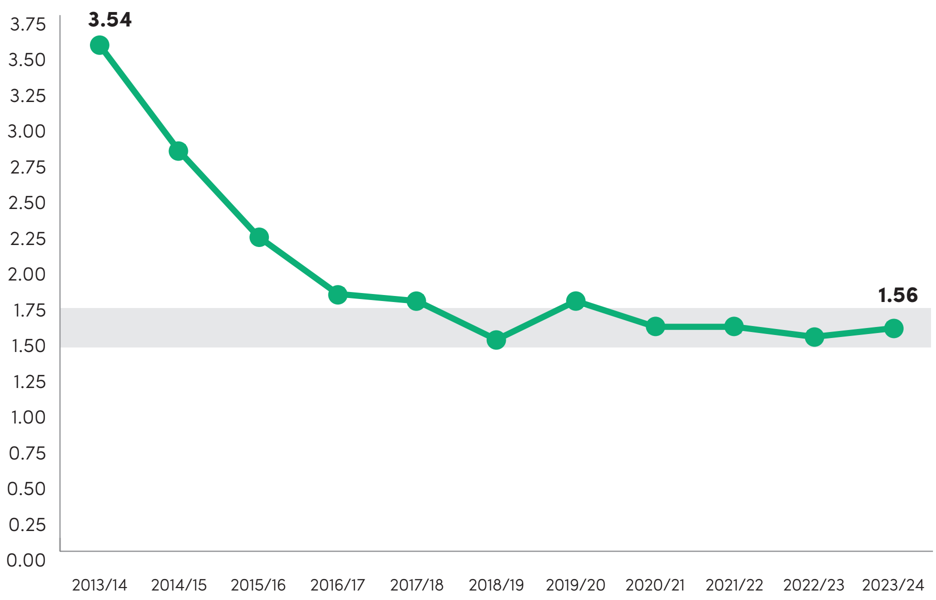


The City provides many services generally not provided by local government, but required because we are a capital city government. These include 24 Hour CCTV and a homeless unit. A team looks after outdoor and filming activities, approving over 1,500 filming and 800 event applications during 2014/2015 for use of parks, open spaces and streets. The City manages 523 outdoor leases and licenses. We run an ambassador service for the cruise ship industry and support a Safe Space that runs until 3am Friday and Saturday nights. We run or support global city events such as New Year's Eve and Chinese New Year. We financially and strategically support Destination NSW in its endeavours to create, produce and attract events, live performances and theatrical productions to NSW. Sixty-nine planning staff assess development applications with a value of about $3 billion each year.

In its own administration, City of Sydney insurance premiums have reduced by 60 % since 2005, largely due to improvements in governance and risk management. An actuarial report prepared in 2010 concluded that the City has saved more than $11.7 million since 2006 through its success as a Workers Compensation self-insurer.

The City's continued strong financial controls are expected to result in better-than-benchmark performance over the ten years of the Plan. This reflects continued efficiency in providing new infrastructure, facilities and services to a growing residential population. A measure is needed that addresses the much larger population of the City that utilise its services, infrastructure and facilities, including workers, students and visitors.

Figure 24: Projected unrestricted current ratio



3.2.3.4 Other Key Performance Indicators

Operating Surplus

The City is targeting an Operational Surplus (excluding interest earnings and depreciation expense) in excess of $105 million which is achievable and aligns with current performance levels. Along with interest earnings and capital contributions, this will generate funds of around $140 million per annum required to fund the forecast long term average capital expenditure program.

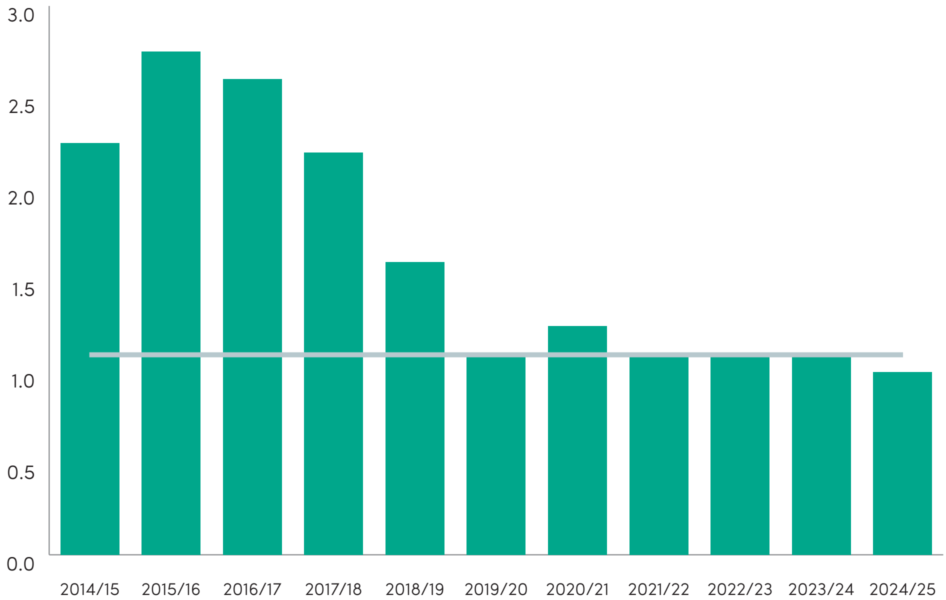
Performance against this target is monitored monthly by the Executive and reported quarterly to the Council and the community.

Cash Reserves

The City ensures in its planning process that it holds sufficient cash reserves to satisfy all of its legislative requirements (or external reserves) as well as the internal reserves (employee liabilities etc) that it has elected to set aside to ensure prudent financial controls. This minimum total has typically been between $180 million and $200 million.

Figure 23 illustrates the City's cash balances as forecast over the next 10 year period. Read in conjunction with the projected Unrestricted Current Ratio, it indicates that the City will remain sufficiently liquid over the period of the long term financial plan to meet its obligations and deliver its capital program whilst maintaining operational service levels.

Figure 25: Projected Capital Expenditure Ratio



Office of Local Government Performance Indicators

The draft Local Government Code of Accounting Practice and Financial Reporting (2014-15 financial year) prescribes a series of performance indicators to be compulsorily reported. The City uses these indicators (and respective benchmarks) as key parameters in the financial planning process. These mandated ratios incorporate those included within Fit for the Future, and some additional indicators as detailed below. The ratios (and brief descriptions of their purpose) are as follows:

- **Unrestricted Current Ratio (Liquidity)**

  The Unrestricted Current Ratio is specific to local government, measuring the adequacy of Council's liquid working capital and its ability to satisfy its financial obligations as they fall due in the short term.

  Restrictions placed on various funding sources (e.g. Section 94 developer contributions, RMS contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council's other operating and borrowing costs.

- **Projected Unrestricted Current Ratio**

  The City's ratio was 3.54 for the 2013/14 financial year, reflecting cash reserves accumulated by the City in preparation for initiatives and major projects now underway. The unrestricted current ratio decreases over the life of the long term financial plan as these strategic cash reserves are utilised in delivering the capital works program. Cash levels stabilise within the identified benchmark range in the later years of the plan, as annual capital works forecasts return to a more typical level.

The City targets a long term ratio of between 1.5 and 1.75, a benchmark consistent with the recommendations of the Office of Local Government.

- **Capital Expenditure Ratio**

  This indicates the extent to which a council is forecasting to expand its asset base with capital expenditure spent on both new assets, and replacement and renewal of existing assets. The benchmark is greater than 1.1.

  The City questions the value of this ratio as an indicator of financial performance, given the disconnect between depreciation (a retrospective measure) and capital expenditure which is prospectively based on identified future need.

  Fluctuations in annual capital works expenditure may also distort the ratio. The City aims to meet the benchmark over the longer term, in order to incorporate any such fluctuations by reflecting average capital spend.

- **Cash Expense Cover Ratio**

  This liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow. The benchmark is greater than three months. With no obvious threats to continuity of income receipts, the City is confident that cash expense coverage will remain sufficient across the life of the plan.

- **Debt Service Cover Ratio**

  This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2. The City has forecast to remain debt-free over the 10 year period of the Resourcing Strategy. This ratio will not be applicable.

- **Interest Cover Ratio**

  This ratio indicates the extent to which a council can service its interest bearing debt and take on additional borrowings. It measures the burden of current interest expense upon a Council's operating cash. The benchmark is greater than four. As the City has forecast to remain debt-free over the 10 year period of the Resourcing Strategy, this ratio will not be applicable.

- **Rates and Charges Outstanding Percentage**

  This measure indicates a council's success at recovering its annual rates and charges, with higher percentages of outstanding debts indicating a potential threat to council's working capital and liquidity.

  Whilst this ratio is not a mandatory financial performance measure, the Office of Local Government has previously advised a benchmark of a maximum 5% for metropolitan councils (8% for rural councils). The City maintains its outstanding rates balance below 2% of annual rates income, a ratio that has improved and been maintained over a number of years. The City continues to monitor performance in collection of rates as a key measure of efficient financial management.

3.3 How will your council remain Fit for the Future?

Set out below are the seven financial indicators graphed by year for the next 10 years. The objectives, strategies, key milestones, outcomes and impact on other measures are also included. For a more detailed assessment of the City's plans the Resourcing Strategy (June 2015) has further information (see Attachment 1).

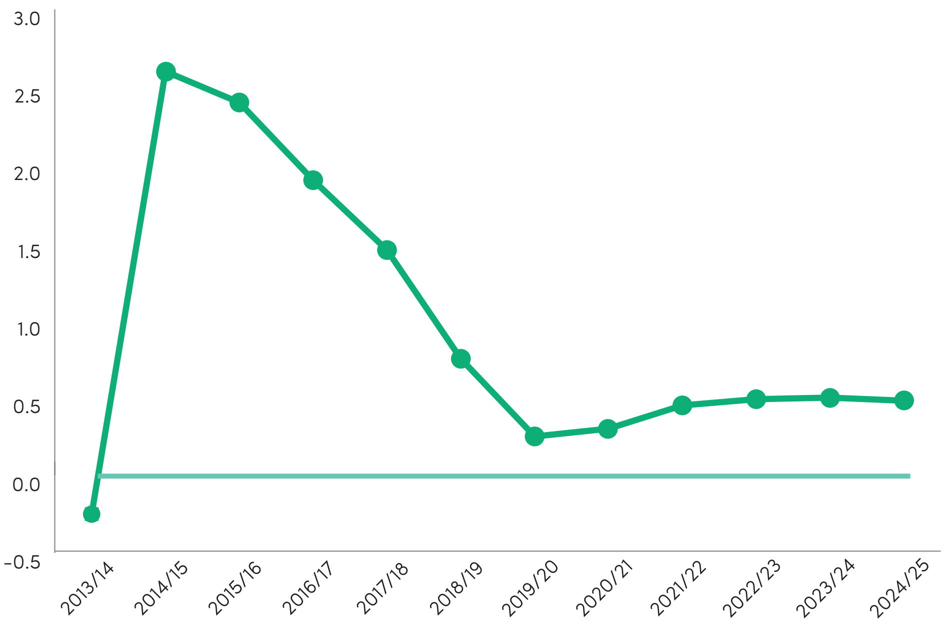
3.3.1 Sustainability

3.3.1.1 Ratio Name: Operating Performance

Benchmark performance: Greater than break-even average over a three year period

CURRENT PERFORMANCE	PROJECTED PERFORMANCE BASED ON 2015-16 LONG TERM FINANCIAL PLAN		
3 Year Ave to 2013-14 Year End	3 Year Ave to 2016-17 Year End	3 Year Ave to 2019-20 Year End	3 Year Ave to 2024-25 Year End
4.42%	2.32%	0.80%	0.43%

Figure 26: Performance measure trend by year: Operating performance



Objectives:

- Maintain ratio above benchmark levels over time (whilst also maintaining performance in related measures – refer to impacts below).
- Income growth over time to meet or exceed growth in expenditure required to meet increased demand from growing population.
- Achieve more equitable alignment between service demand/consumption and revenue generation.
- Continue to meet the expectations of the community in respect of service levels, with due regard to budget constraints.

Strategies:

- Income growth strategies, discussed in the Own Source Operating Revenue section below, if achieved will positively impact this ratio over time.
- Internal targets/parameters relating to Operating Performance are incorporated within the City's annual budget setting process.
- Ratio receives an initial boost in 2014–15 due to a review of depreciation methodology that reduces the annual charge for roads. Continued refinement of depreciation methodology may impact annual depreciation expense, with flow-on effects to this ratio.
- To advocate for rates reform to address decline in ratio as increasing service provision demands driven by development growth.
- Continue to utilise IP&R framework to gauge community expectations.

Key milestones:

- See the Own Source Operating Revenue details below – balance of Barangaroo development expected to become rateable in 2016–17.
- Projected increases to operating expenditure relate to the depreciation impact of significant new assets and infrastructure, and increased service provision to meet projected population growth particularly in the Green Square precinct.

Outcome:

- Projection: Ratio expected to continue to exceed minimum benchmark levels.
- Commencement of additional services (along with depreciation effects) at Green Square (library, community facilities and aquatic centre) and Barangaroo expected to result in a period of declining ratio performance, before ratio result stabilises at a sustainable long term level (still above benchmark).

Impact on other measures:

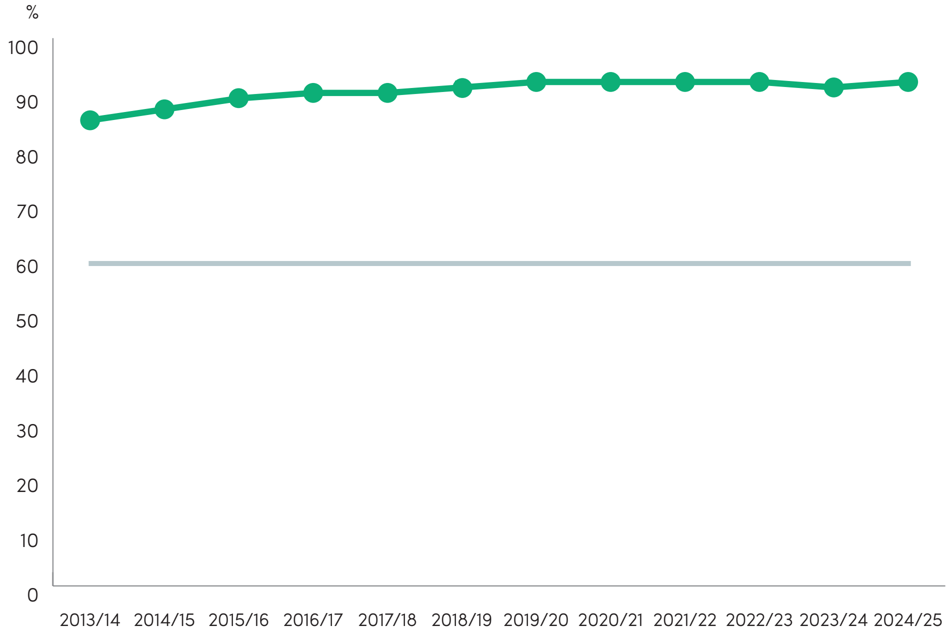
- Emphasis on improving the Operating Performance ratio may result in a reduction of maintenance spending (for example) and result in declining service levels and increased infrastructure backlog.
- Opportunities for alternative income sources may alter the Own Source Revenue result, however this would be generally regarded as reasonable.

3.3.1.2 Ratio Name: Own Source Operating Revenue

Benchmark performance: Greater than 60% average over 3 years

CURRENT PERFORMANCE	PROJECTED PERFORMANCE BASED ON 2015-16 LONG TERM FINANCIAL PLAN		
3 Year Ave to 2013-14 Year End	3 Year Ave to 2016-17 Year End	3 Year Ave to 2019-20 Year End	3 Year Ave to 2024-25 Year End
84.62%	87.68%	91.86%	92.81%

Figure 27: Performance measure trend by year:
Own source operating revenue



Objectives:

- Continue long term trend of maintaining ratio well above benchmark level.
- Continue to ensure an equitable sharing of the cost burden of providing expanded infrastructure between new and existing population.
- Explore and maximise alternative revenue generation strategies to reduce the ongoing burden on ratepayers to fund the City's services and assets.

Strategies:

- Rates income forecast to receive a significant boost in 2016-17, with the second half of the Barangaroo development to become eligible for rating (increasing the existing rates base), and further urban renewal potentially growing the City's rates base (dependent on the mix of the development and the existing land use of the development site).
- A review of the City's fees and charges is to be undertaken in the short term, following an extensive cost of service provision review.
- Continued review and updates of the City's Developer Contribution Plans and use of voluntary planning agreements to secure public benefit outcomes.

Key milestones:

- The commencement of rates collection for the balance of the Barangaroo site (presently anticipated to commence from the 2016–17 financial year).
- Completion of internal cost reviews, and subsequent fees and charges review may result in changes made to the City's income. Potential impacts have not yet been determined and are not reflected in the projections shown.
- Development completion of Green Square urban renewal precinct over the life of the 10 year long term financial plan.

Outcome:

- Projections: the City expects to continue to comfortably outperform the OLG benchmark for this ratio while receiving substantial capital contributions income.
- Conservative outcome modelled within the City's Long Term Financial Plan (allowed for 2.5–3% IPART determined capped rates increase per annum, and a 0.5–1% growth in rates base per annum); fundamental rates reform would require a revision of the City's budget position, with the impact potentially significant.
- Income from fees and charges is presently escalated at 3% per annum in the Long Term Financial Model; incorporating increases in line with CPI, as well as incremental growth where applicable.
- The internal cost of services review may require a re-cast of the City's fees and charges (and therefore financial projections), dependent on the outcome of the review as well as the strategic importance of particular fees/charges.

Impact on other measures:

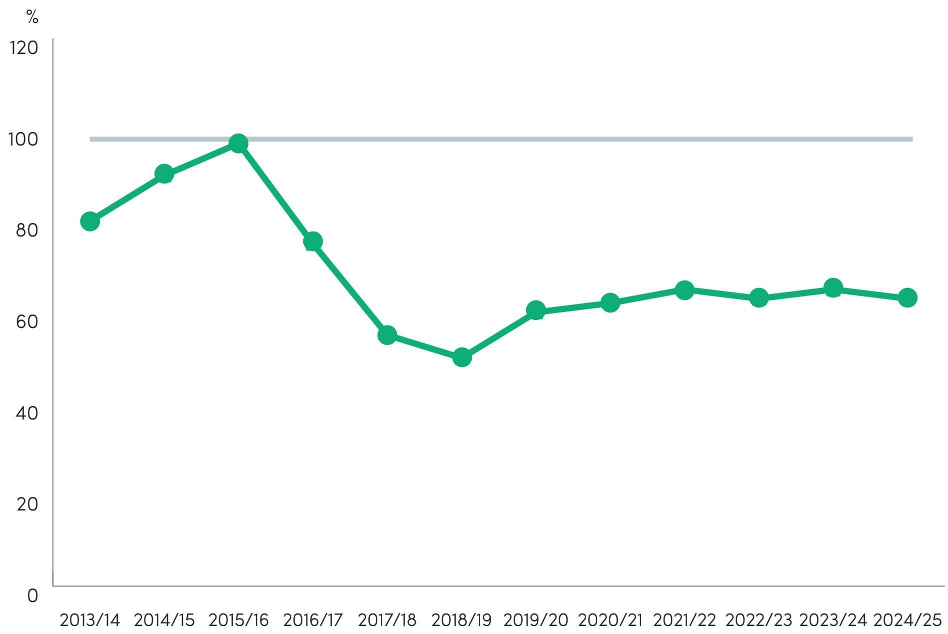
- Increased reliance on "own source" revenue will, to an extent, provide assurance of the City's income base.
- Improved performance may also reflect a reduction in capital income (grants and developer contributions) which may impact the City's capital funding and impact on Building and Infrastructure Renewals.

3.3.1.3 Ratio Name: Building and Infrastructure Asset Renewal Ratio

Benchmark performance: Greater than 100% average over 3 years

CURRENT PERFORMANCE	PROJECTED PERFORMANCE BASED ON 2015-16 LONG TERM FINANCIAL PLAN		
3 Year Ave to 2013-14 Year End	3 Year Ave to 2016-17 Year End	3 Year Ave to 2019-20 Year End	3 Year Ave to 2024-25 Year End
77.48%	86.48%	54.19%	65.32%

Figure 28: Performance measure trend by year: Building and infrastructure asset renewal ratio



Objectives:

- Achievement of benchmark is not (necessarily) desirable as annual depreciation is not inherently a suitable proxy for "required annual renewal".
- Required renewal will be determined based on assessed remaining service capacity of building and infrastructure assets, with regard given to minimum acceptable condition in determining the required renewal intervention point (refer alternative measure in section 3.3.1.4 below).
- Rather than utilise depreciation expense as an arbitrary proxy for required levels of asset renewal, the required renewal of building and infrastructure assets is instead sourced from the Asset Management Plan in the City's Integrated Planning and Reporting documents (refer alternative measure in section 3.3.1.4 below).

Strategies:

- Whilst the City will aim to maximise renewal levels for its infrastructure and assets base, assets will not be "over-serviced" and renewed at levels in excess of requirements.
- The City's depreciation policies will be subject to regular review to improve methodology and better reflect asset consumption patterns where possible (and where allowed by accounting standards).

Key milestones:

- See the alternative ratio utilised by the City (see below) – the trend of asset renewals is consistent between the two approaches, however performance against an adjusted benchmark in the alternative ratio provides a more realistic reflection of asset renewal performance.

Outcome:

- Projections: The City projects below benchmark performance for financial years 2016–17 and beyond. This result is deemed by the City to be financially sustainable, as asset renewal levels will reflect assessed requirements, rather than an arbitrary target. The implication of the benchmark is that a council's annual depreciation expense is the indicative level of required annual renewal of its assets, when in reality a far more detailed analysis of renewal requirements is undertaken in the process of preparing the City's Asset Management Plan.

Impact on other measures:

- Meeting minimum requirements for renewal should ensure no increase in Infrastructure Backlog, and renewals in excess of requirements should go some way to addressing existing infrastructure backlog over time.
- Renewing infrastructure and assets at levels consistent with annual depreciation expense should significantly reduce "Required Asset Maintenance", as excessive asset renewal fulfils the roll of ongoing asset maintenance.
- If using annual depreciation expense as a proxy is not correct, per the City's view, then there is a significant likelihood of over servicing infrastructure assets at cost of other service provision.

Image: Surry Hills Library and Community Centre

Artist Impression: Green Square Childcare Centre

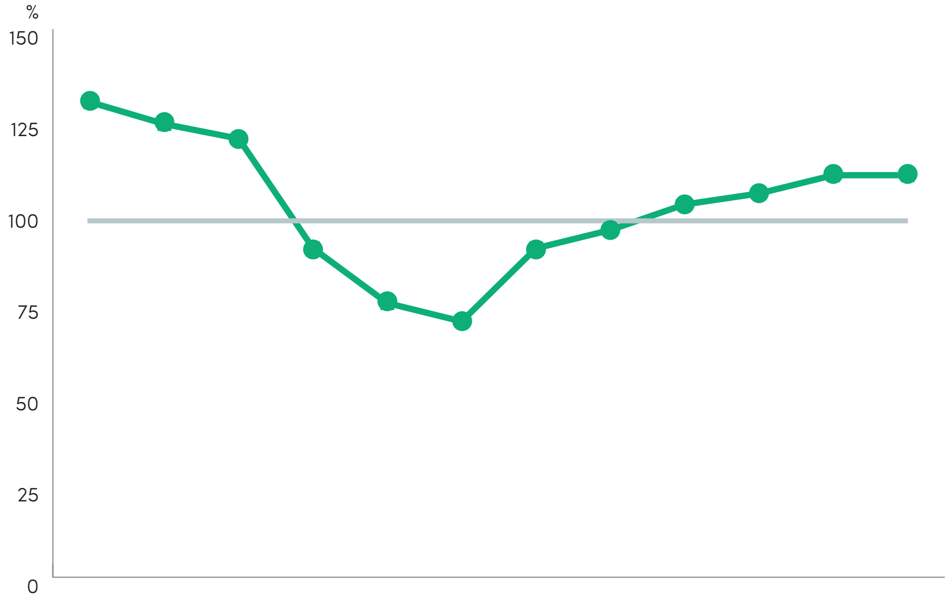
3.3.1.4 Ratio Name: Alternative Building and Infrastructure Asset Renewal Ratio

Given the problems with the Fit for the Future benchmark, the City has also measured this benchmark against "required asset renewal", rather than depreciation.

Benchmark performance: Greater than 100% average over 3 years

CURRENT PERFORMANCE	PROJECTED PERFORMANCE BASED ON 2015-16 LONG TERM FINANCIAL PLAN		
3 Year Ave to 2013-14 Year End	3 Year Ave to 2016-17 Year End	3 Year Ave to 2019-20 Year End	3 Year Ave to 2024-25 Year End
90.87%	112.39%	76.25%	105.95%

Figure 29: Performance measure trend by year:
Alternative building and infrastructure asset renewal ratio



Objectives:

- Required renewal will be determined based on assessed remaining service capacity of building and infrastructure assets, with regard given to minimum acceptable condition in determining the required renewal intervention point (refer alternative measure below).
- The required renewal levels of the City's building and infrastructure assets are determined via a detailed condition assessment process, as part of the Asset Management Strategy, one of the three key documents comprising the Resourcing Strategy (and a key component of the OLG's IP&R requirements).

Strategies:

- Generally maintain asset renewal at or above the identified "required" level.
- With a defined delivery capacity, the City will – necessarily – reduce renewal projects as a proportion of the annual capital program during the years of the Long Term Financial Plan where high priority asset expansion projects are due to be undertaken (particularly new infrastructure at Green Square, major green infrastructure initiatives, new childcare centres and integration with the Barangaroo development). The required renewal levels will quickly be restored upon delivery of these major works and exceed the required levels in order to "catch up" the temporary reduction.

Key milestones:

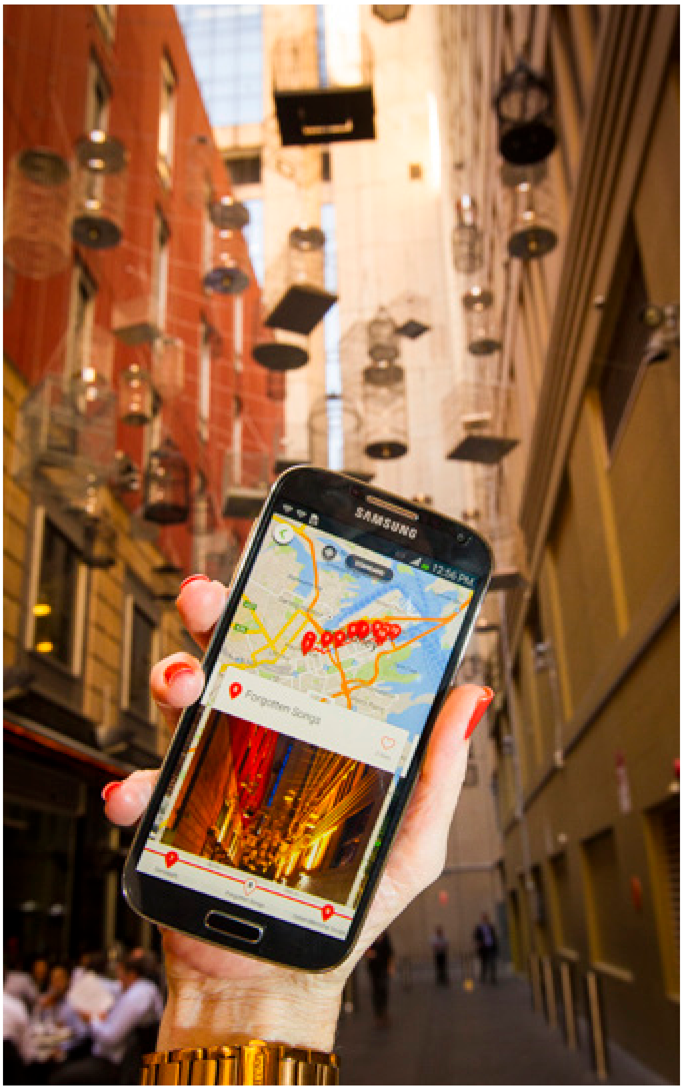
- 2014–15 and 2015–16 renewals in excess of "required" will address infrastructure backlog
- 2016–17 to 2018–19 (inclusive) marks a period of temporary decline in the City's underlying capital renewal program, and priority is given to the delivery of significant new infrastructure. The renewal ratio accordingly declines in this period.
- 2019–20 and beyond will see a return to a more typical long term average capital works program, incorporating sufficient asset renewal over the longer term.

Outcome:

- Projections: As summarised in the milestones above, there will be a period of renewals below benchmark levels as priority is given to the delivery of key infrastructure associated with urban renewal.
- Subsequent to the period of reduced renewal expenditure, the ratio again improves as capital renewal activity occurs.
- Infrastructure backlog addressed through "additional" asset renewal in earlier years.

Impact on other measures:

- Reduction in Infrastructure Backlog ratio in earlier years, followed by a temporary increase in backlog as renewal is reduced for a period.
- Renewal levels meeting the "required" benchmark in the longer term should prevent growth in maintenance required (aside from inflationary pressure).



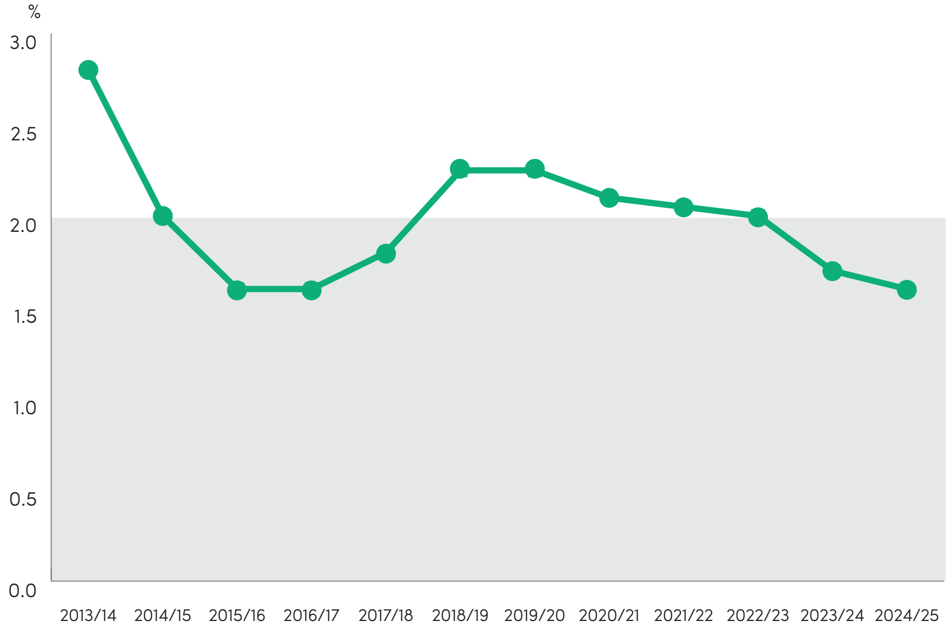
3.3.2
Infrastructure and service management

3.3.2.1 Infrastructure Backlog Ratio

Benchmark performance: Less than 2%

CURRENT PERFORMANCE	PROJECTED PERFORMANCE BASED ON 2015-16 LONG TERM FINANCIAL PLAN		
At 2013-14 Year End	At 2016-17 Year End	At 2019-20 Year End	At 2024-25 Year End
2.80%	1.62%	2.26%	1.64%

Figure 30: Performance measure trend by year: Infrastructure backlog ratio



Objectives:

- Reduction of backlog below benchmark (note that projections of infrastructure backlog are very difficult to calculate and rely on many assumptions and the methodology is not standard across the industry). Note that the rationale for the benchmark of 2% is not apparent.
- Establish methodology and benchmarking for the assessment of backlog (and minimum asset condition), and reflect in asset management plans.

Strategies:

- The capital program within the City's Delivery Program (four year window) seeks to target and address instances of infrastructure backlog. Renewal in excess of that "required" in the early years of the program reflects a "catch up" of backlog.
- Continued and improved assessment of condition to determine "cost to bring to satisfactory standard" on all applicable asset classes, facilitating targeted renewal projects to address any identified backlog.

- Having addressed the existing backlog items, it is foreseen that there may be a subsequent increase in backlog as asset renewal programs are temporarily reduced in order to free up the City's delivery capacity to be utilised in major new projects, including delivery of Green Square infrastructure. Renewal will then return to the required level, restoring infrastructure backlog to a long term average.

Key milestones:

- Infrastructure Backlog forecast to be within benchmark "range" in 2014–15.
- Backlog to temporarily exceed benchmark as renewals are reduced in lieu of major capital project delivery.
- Backlog to level out and reduce as capital program returns to long term "average".

Outcome:

- Projections: Periods of decline (i.e. improvement) in the ratio reflect asset renewal performance in excess of "required" in-year levels, and therefore addressing items of "backlog".
- The temporary rise in backlog as a percentage of asset value is attributable to reduced asset renewal (see above), but this will again be brought under control with a return to "above required" renewal levels, beginning in the 2019-20 financial year.

Impact on other measures:

- Spending to reduce infrastructure backlog will generally require additional "renewal" spend, and hence improve performance against the Building and Infrastructure Asset Renewal Ratio.
- An infrastructure backlog ratio within the target range will have a positive impact on "Required" maintenance of assets (infrastructure and assets held in a "satisfactory" condition typically require less reactive maintenance).

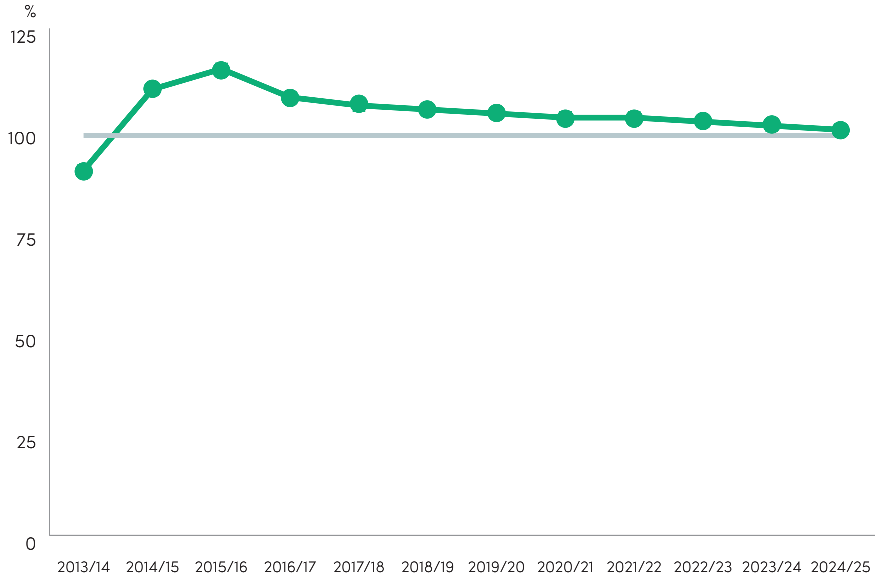
Image: Prince Alfred Park Playground

3.3.2.2 Ratio Name: Asset Maintenance Ratio

Benchmark performance: Greater than 100% average over 3 years

CURRENT PERFORMANCE	PROJECTED PERFORMANCE BASED ON 2015-16 LONG TERM FINANCIAL PLAN		
3 Year Ave to 2013-14 Year End	3 Year Ave to 2016-17 Year End	3 Year Ave to 2019-20 Year End	3 Year Ave to 2024-25 Year End
88.33%	112.12%	104.87%	102.11%

Figure 31: Performance measure trend by year: Asset maintenance ratio



Objectives:

- Improve current performance in order to meet (or exceed) identified "required maintenance".
- Review appropriate inclusions and exclusions in calculating this ratio (both numerator and denominator) to determine a methodology that best reflects the City's asset management performance.

Strategies:

- Continue to utilise Asset Management Plans in determining required maintenance levels.
- Utilise industry benchmarks (where available) and refine definitional distinction between "Maintenance" and "Renewal".

Key milestones:

- Completion of new infrastructure and facilities (particularly in Green Square), requiring additional maintenance.
- Additional allowance has been made in the City's Long Term Financial Plan for maintenance of new assets and infrastructure, reflected from financial year 2018-19.
- Key maintenance contracts will be completed over the course of the 10 years included within the City's Long Term Financial Plan. Effective competitive tendering processes will ensure the most efficient outcomes, and potentially impact on this ratio's performance.

Outcome:

- Maintenance expenditure to be projected in the City's Long Term Financial Plan at levels sufficient to meet the requirements of the City's asset management plans (and comply with the anticipated benchmark). Assumptions allow for the completion of new assets and infrastructure and the commencement of maintenance for these assets.
- Whilst the exact impact of new assets and infrastructure can only be estimated, there will also be opportunities to revisit budget allocation for maintenance with each iteration of the Long Term Financial Plan.
- Likewise, the "required" maintenance assumes status quo with regard to contract rates also reviewed in future revisions.

Impact on other measures:

- Continued failure to achieve benchmark would be expected, over time, to increase required Asset Renewal, and/or increase the infrastructure backlog; conversely, continued strong performance will have a complementary effect on the other asset management ratios.
- An increase to asset maintenance expenditure will negatively impact the Operating Performance Ratio, so any increase must be kept within the limitations of that ratio in order to be sustainable, with consideration of service levels agreed with the community.

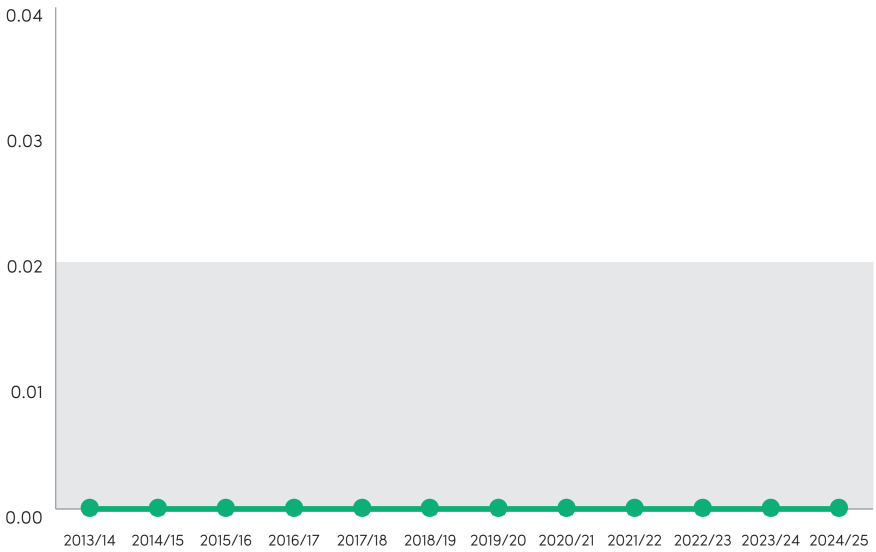
Image: Prince Alfred Park

3.3.2.3 Ratio Name: Debt Service Ratio

Benchmark performance: Greater than 0% and less than 20% average over 3 years

CURRENT PERFORMANCE	PROJECTED PERFORMANCE BASED ON 2015-16 LONG TERM FINANCIAL PLAN		
3 Year Ave to 2013-14 Year End	3 Year Ave to 2016-17 Year End	3 Year Ave to 2019-20 Year End	3 Year Ave to 2024-25 Year End
0.00%	0.00%	0.00%	0.00%

Figure 32: Performance measure trend by year: Debt service ratio



Objectives:

- Utilise debt only to the extent required
- Despite a benchmark ratio that “requires” all councils to use a level of debt, the City (based on current projections) does not envisage that debt funding will be required in order to deliver its ambitious capital works program.

Strategies:

- Continually reassess and refine cash/funding projections and determine appropriateness of debt.
- Have in place a debt policy to ensure that any potential use of debt is in accordance with a coherent internal policy.
- The use of cash restrictions (both internal and external) will ensure effective planning in the use of accumulated cash reserves. The City has grown cash reserves from $291M to $566M (of which $487M is restricted for specific purpose). The accumulation of these reserves has reflected the City’s long term plans, particularly in relation to provision of new infrastructure and facilities at Green Square, and also facilitated the $220M contribution to the NSW Government for the CBD and South East Light Rail project, investment in new childcare centres and integration works related to the Barangaroo development, amongst many others.

- The availability of significant developer contributions income also alleviates the need for debt in providing new infrastructure and facilities. Indeed, developer contributions are tied to the delivery of these assets.

Key milestones:

- Annual review of the need for debt
- Utilisation of restricted cash reserves will act as a form of "financing", utilising cash and investment balances that have been accumulated over an extended period of strong financial management at the City of Sydney.
- Development activity, particularly within the CBD and Green Square precincts, will provide high volumes of capital contributions, to be utilised in the delivery of new/expanded assets to meet growing community need.

Outcome:

- Debt financing is not forecast to be required per the City's latest Long Term Financial Plan.
- As the plan progresses and delivery priorities potentially change, the Finance Division will assess requirements for the use of debt (including the potential of internal borrowing where appropriate) in delivering the City's capital program.
- Debt financing will not be used to fund "recurrent" type expenditure (including operating expenditure and underlying capital renewal programs).

Impact on other measures:

- The introduction of debt financing (in particular, the associated interest expense), will impact negatively on the Operating Performance Ratio.

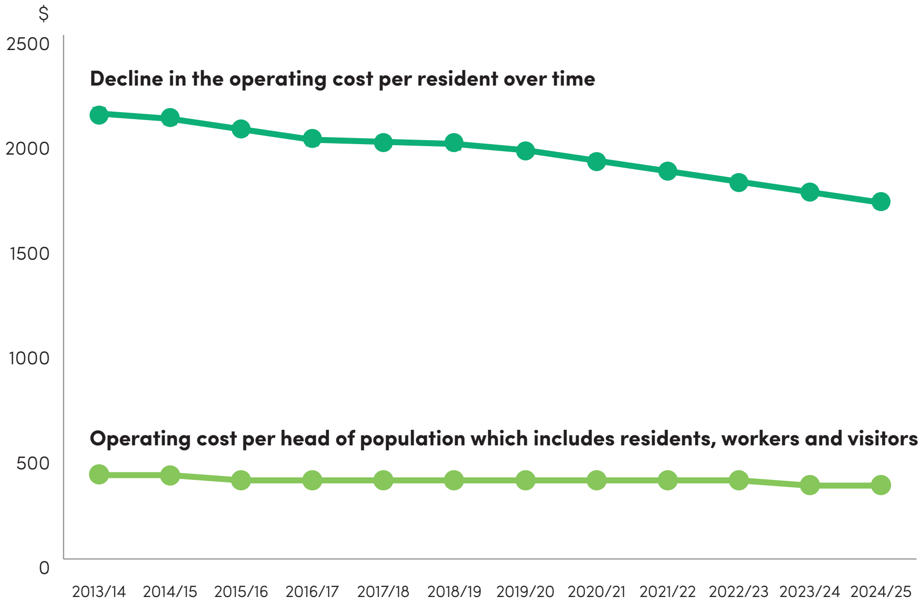
3.3.3 Efficiency

3.3.3.1 Ratio Name: Real Operating Expenditure Per Capita

Benchmark performance: Decrease in Real Operating Expenditure per capita over time (5 year period)

CURRENT PERFORMANCE	PROJECTED PERFORMANCE BASED ON 2015-16 LONG TERM FINANCIAL PLAN		
5 Yrs to 2013-14 Year End	5 Yrs to 2016-17 Year End	5 Yrs to 2019-20 Year End	5 Yrs to 2024-25 Year End
Increase in 1 or more years	Declining (5 year trend)	Declining (5 year trend)	Declining (5 year trend)

Figure 33: Performance measure trend by year: Real operating expenditure per capita



Objectives:

- Maintain current service standards for increasing residential population along with the substantial visitor, tourist, business and worker numbers.
- Identify efficiencies to contain underlying expenditure increases within acceptable levels.

Strategies:

- Strong, sustained increases in residential population will require additional service provision, however this provision of services may benefit from economies of scale.
- Provision of new and expanded facilities (with associated increases in Operating Expenditure) to provide adequate service levels to meet increased demand as a result of significant (forecast) population growth. Examples include Green Square Library and Aquatic Centre and also facility expansion/improvement per the (draft) Community Facilities Strategy.

Key milestones:

- Actual residential growth, as compared with projections, will impact on the performance of the ratio.
- The provision of new/additional services is largely controlled by the City, however the timing between delivery of new services/ facilities and increases in population will impact performance against this ratio (the two will need to be coordinated).
- Forecast additional expenditure to provide services to the increased population has been retained within adequate levels to ensure continued performance within the required benchmark.

Outcome:

- Projections: the projections above indicate ongoing performance at a level complying with OLG requirements (i.e. declining over time).
- The initial drop in expenditure per capita is caused by a revision of depreciation methodology for the 2015-16 year (in relation to roads infrastructure). The City's concerns in relation to this ratio is that it is unfairly affected by fluctuations in depreciation policy and asset valuation cycles.

Impact on other measures:

- Improvements in efficiency (as measured by this ratio) will contribute to improved operating performance, however this also relies on income growth commensurate with an increasing population.
- The challenge to keep this ratio in a declining trend may negatively impact asset maintenance expenditure, and/or result in depreciation policies that are not reflective of asset consumption.

3.3.4
Improvement Action Plan

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

The City of Sydney's Integrated Planning and Reporting documents outline the City's priority actions, improvement or otherwise, for the next four years, and in the case of the Long Term Financial Plan, ten years. These include our Asset Management Plan, our Workforce Management and ICT Strategies.

The City has a governance framework which includes continuous improvement, monitoring and evaluation and has a program of internal and external audits as well as internal and sometimes external service reviews. These programs ensure the City is efficient and effective, and continually looking to improve so we can continue to deliver our Community Strategic Plan, as agreed with our community.

The information provided in sections 3.3.1 to 3.3.3 and throughout this submission details the City's strategies for continuously improving our performance. Key elements include:

- Sustainable Sydney 2030 will continue to guide City of Sydney action, with annual reviews of progress and priorities as part of our annual Integrated Planning and Reporting process.
- Diverse and innovative public engagement processes will help us understand the needs and expectations of our residents, businesses, workers, students and visitors.
- Effective internal governance arrangements will help deliver current and new projects and programs to meet needs and outcomes agreed with our communities.
- Agreed targets and outcomes will be incorporated into the City's annual planning and budgeting processes.
- Long-term financial planning will manage operating costs to deliver operating surpluses to fund needed infrastructure and facilities.
- A workforce strategy to be an employer of choice, attract highly skilled, innovative, responsive, collaborative, adaptable and ethical staff.

- Infrastructure and asset maintenance monitored on a targeted basis to maximise renewal levels without over-servicing.
- Policies and procedures regularly reviewed to improve the City's approach and respond to emerging needs and community expectations.
- Regional, national and international engagement and partnerships to increase the City's influence, scope and capacity.
- Regular assessment of funding projections to determine appropriateness of debt to meet the need for future infrastructure.

3.3.5
Other actions considered

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

City representatives, including the Lord Mayor and Chief Executive Officer, met with neighbouring councils to seek their views on the proposal of the Independent Local Government Review Panel to amalgamate the City of Sydney, Woollahra, Waverley, Randwick and Botany Bay Councils. None of the councils support an amalgamation with the City, nor has a resolution supporting a merger with the City of Sydney been passed by any surrounding council.

Reasons expressed by neighbouring councils included:

- The relevant Council has assessed it is Fit for the Future.
- The scale and nature of issues in the City could overwhelm local concerns.
- The local community does not support amalgamation.
- No compelling business case has been identified.
- New voting legislation to give two votes to business was not desirable in their area.

Community consultation in the respective council areas supports the reasons above:

- **Randwick City Council** – 90% prefer an Eastern Suburbs Model, 5% prefer larger 'global' city model, 5% undecided.
- **Waverley Council** – 89% prefer an option other than a "global city".
- **Woollahra Municipal Council** – initial survey indicates 81% of residents oppose any form of amalgamation (final survey results not yet released).
- **City of Botany Bay** - 97% of respondents were opposed to amalgamation (Mayoral Minute - 2013).
- **City of Sydney** – 82% of residents oppose an amalgamation, favouring a 'stand-alone' option (further detail of the City's community consultation is provided in section 4.4 and Attachment 6).

The City of Sydney is Fit for the Future on its current boundaries and has a large program of work to respond to the needs of our local communities and global Sydney. This includes completion of infrastructure and facilities for the Green Square Town Centre; working with the NSW Government to implement the CBD Transport and Action Plan, including light rail; and supporting a peak level of growth and renewal, estimated at around $30 billion to $40 billion over the next decade.

The City of Sydney experienced an amalgamation in 2004. The process was disruptive and took three to five years to fully complete, with significant organisational capacity focused on successfully managing the process.

If resources are diverted onto an amalgamation at this time, the City may not deliver effectively on the opportunities and challenges of the current positive economic environment. To disrupt the City puts investment at risk and can impact negatively on the NSW economy.

3.4 How will your plan improve performance

3.4.1 Expected improvement in performance

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

Despite the inherent limitations and flaws of the benchmarks, the City targets above benchmark performance where possible and projects the results in line with the respective benchmarks and milestone dates in the Fit for the Future template.

This submission has noted specific exceptions:

- **Building & Infrastructure Asset Renewal:** Achievement of this benchmark is not necessarily desirable as annual depreciation is not inherently a suitable proxy for "required annual renewal". The use of depreciation in calculating the required level of asset renewal is flawed. As detailed in sections 3.2.3.1 and 3.3.1.4 above, the City will determine required renewal based on assessing the remaining service capacity of assets to determine when renewal is needed. As further detailed in section 3.3.1.4, performance against the alternative asset renewal ratio will temporarily drop below the benchmark level of 100%, as delivery of high priority asset expansion projects are given priority within the City's capital works program. Viewed across the longer term (2014/15 to 2024/25), the City demonstrates improvement in this ratio, and over this period, the ratio performance is an average 100%.
- **Infrastructure Backlog Ratio:** The City anticipates that it will meet the mandated benchmark during 2015/16, followed by a (temporary) period of performance outside the benchmark range of 0-2%. This temporary growth in infrastructure backlog is expected to coincide with the reduction in asset renewal expenditure detailed above. Figure 30 in section 3.3.2.1 above demonstrates the City of Sydney's performance improvement over the long term in respect of this ratio, as asset renewal levels return to long term average levels.
- **Cost of Debt Service:** The City is debt free. It has capacity to borrow and is developing a policy framework to determine when borrowing is appropriate and needed. It is anticipated that projects beyond the City of Sydney's direct financing capacity will be large-scale and require a NSW Government partnership.

Table 3: Projected performance against mandated ratios (by year)

MEASURE/BENCHMARK	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	ACHIEVES FFTF BENCHMARK?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	2.57%	2.43%	1.97%	1.47%	0.79%	0.18%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	85.69%	87.68%	89.66%	89.83%	92.40%	93.34%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	89.44%	85.19%	64.96%	47.86%	43.34%	53.81%	No
Building and Infrastructure Asset Renewal (Alternative) Ratio (Greater than 100% average over 3 years)	123.18%	119.58%	94.39%	73.29%	67.74%	87.72%	Yes/No
Infrastructure Backlog Ratio (Greater than 2%)	2.05%	1.65%	1.62%	1.84%	2.24%	2.26%	Yes/No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	112.16%	113.61%	110.67%	106.84%	104.41%	103.51%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	No
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	$2,127	$2,038	$2,011	$1,993	$1,964	$1,937	Yes

Table 4: Performance by year using rolling averages
(Where applicable to the ratio – 3 years e.g. average of 2012-13, 2013-14 and 2014-15 shown at 2014-15)

MEASURE/BENCHMARK	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	ACHIEVES FFTF BENCHMARK?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	1.53%	1.65%	2.32%	1.94%	1.40%	0.80%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	83.76%	85.81%	87.68%	89.07%	90.64%	91.86%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	79.08%	85.16%	79.63%	65.46%	51.77%	48.42%	No
Building and Infrastructure Asset Renewal (Alternative) Ratio (Greater than 100% average over 3 years)	126.14%	123.77%	112.39%	95.76%	78.48%	76.25%	Yes/No
Infrastructure Backlog Ratio (Greater than 2%)	2.05%	1.65%	1.62%	1.84%	2.24%	2.26%	Yes/No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	96.41%	109.00%	112.12%	110.23%	107.18%	104.87%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	No
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	$2,127	$2,038	$2,011	$1,993	$1,964	$1,937	Yes

3.5 Putting your plan into action

"How will your council implement your Improvement Action Plan? For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under section 3."

Sustainable Sydney 2030, adopted in 2008 following extensive research and consultation, guides the development of the City of Sydney for the next 15 years and beyond.

In 2011, the City incorporated its 2030 Vision into the **Integrated Planning and Reporting Framework** for NSW local government, and developed a new suite of documents to support the key directions and objectives of Sustainable Sydney 2030.

The findings of our Fit for the Future Improvement Plan have been incorporated into the City's suite of Integrated Planning and Reporting documents for 2015/2016, which is reviewed and adopted by Council annually.

The Sustainable Sydney 2030 Community Strategic Plan (2014) reflects the 10 Strategic Directions, 10 Targets and major objectives of the 2011 version, and incorporates refined objectives to reflect adopted Council strategies and project developments.

The **Delivery Program** 2014-2017 (June 2015) sets out specific activities, projects and resources for the next three years to progress the goals and targets within Sustainable Sydney 2030. The Delivery Program proposes the key four year outcomes that align to the objectives of Sustainable Sydney 2030 and integrates these within the City's long term strategic framework.

The **Operational Plan** 2015/16 provides an annual instalment of the Delivery Program and identifies the specific plans and activities to be undertaken during the forthcoming year to achieve the deliverable outcomes. It also contains the draft **Operating Budget, Capital Budget** and the R**evenue Policy** including the proposed rates, waste and stormwater charges plus other user fees and charges for the year.

The draft **Resourcing Strategy** (2015/16) supports the activities outlined in the Delivery Program. It has been prepared comprising a 10 year **Long Term Financial Plan,** a four year **Workforce Strategy,** a 10 year **Asset Management Plan** and a four year **Information, Communication and Technology Strategic Plan.** The Resourcing Strategy demonstrates the City's commitment to deliver the Sustainable Sydney 2030 strategic outcomes in a planned manner to ensure the long term sustainability of the Council.

Progress against the objectives in these documents is reported to Council quarterly, with progress against our environmental targets reported to Council twice a year.

The City of Sydney's Executive reviews progress monthly and as required.

Image: Sydney Park Pavilion

Image: Paddington Reservoir Gardens

Additional Criteria in IPART Methodology

IPART proposes to assess scale and capacity against the ten "Key Elements of Strategic Capacity" identified in the Independent Local Government Review Panel's report (Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, p32.).

4.

4.1 Key Elements of Strategic Capacity

IPART proposes to assess scale and capacity against the 10 "Key Elements of Strategic Capacity" identified in the Independent Local Government Review Panel's report (Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, p 32.).

These criteria are:

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

4.1.1
More robust revenue and increased discretionary spending

The City of Sydney has a robust revenue base and capacity for discretionary spending. It has a high level of own source revenue and a record of discretionary spending in line with its strategic plan agreed with City communities.

Some specific examples of City projects and programs responding to needs that go beyond traditional local government responsibilities include:

- $220 million contribution to the NSW Government's Light Rail project.
- Acquisition of land to secure Green Square transport corridors, a NSW Government responsibility.
- Contribution of more than half the cost of Green Square trunk drainage, a Sydney Water (State Government) responsibility.
- A network of 24 Hour CCTV to support inner Sydney policing.
- A dedicated homelessness unit, a NSW Government responsibility.
- The City of Sydney Floorspace and Employment Survey, the most comprehensive in the world.

4.1.2
Scope to undertake new functions and major projects

The City's Community Strategic Plan, Sustainable Sydney 2030, sets out an ambitious program of work to deliver the type of city our communities want in 2030. The City has expanded its expertise in new areas to deliver this strategy and develops new functions and major projects. Increasing expectations of our community required us to look at new ways of doing things.

The City has set up dedicated strategic units within the organisation to develop the innovative and sophisticated policies needed in a global city. These units are supported by a dedicated research unit that enables us to provide sound, evidence based research to inform the development of those strategies and policies.

The City has strong internal governance systems and processes to enable us to manage complex new work, along with a Project Management Office that provides structure and checks and balances as new projects or functions are investigated and implemented.

The sound financial management of the City and the Long Term Financial Plan mean we have the capability to fund new functions and projects if required. The City maintains strong partnerships and pursues new opportunities to collaborate with partners, in order to deliver the best outcomes for our community.

Because of the strategic capacity and evidence-based work the City undertakes, the consultation and our track record for delivery, the City has credibility and has built trust in our stakeholders to innovate.

Examples include the development of OPEN Sydney, a strategy for the late night economy of the City; the George Street transformation in partnership with the NSW Government; the fast track delivery of six childcare centres to address the shortage of childcare in the city; the Live Music and Performance Action Plan; and development of the Green Square Town Centre.

4.1.3 Ability to employ a wide range of skilled staff

The City of Sydney recruits and retains high quality and skilled staff, including many nationally and internationally recognised professionals. Our reputation for innovation, courage and quality is acknowledged by people who apply for positions at the City of Sydney.

Research on the City's employment brand in 2010/11 showed the key features attracting candidates are:

- The people: dedicated, passionate, talented colleagues who are friendly, supportive and mutually respectful.
- Autonomy and responsibility.
- Variety and complexity that interests, challenges and develops.
- Recognition and acknowledgement.
- Worthwhile work with worthwhile results.
- Job security.
- Flexible work patterns and work/life balance.

The key factors driving retention are:

- Skills development.
- Respect, trust and autonomy.
- Job security.
- Good supportive managers.
- Work variety.
- Career progression.
- Personal achievement.
- The right tools and resources to do the job.
- The ability to be creative and add value.
- Being treated fairly.

In 2014, the City's voluntary turnover rate was 8.6% compared to the average of 8.9% for the Sydney Inner Councils benchmarking group, despite the strong competition the City faces for talent retention in the CBD and among property, planning and other sought after professionals. Our new starter turnover rate was 7.7% compared to the average of 10.1% for the Sydney Inner Councils group.

The City of Sydney is able to attract a diverse range of staff. We have a slightly younger age profile than that of the Sydney Inner Councils group and higher levels of women in managerial positions compared to a recent survey of Australian Local Government.

The City is able to attract top talent for senior positions, many of them from the private sector and other levels of the public sector. It is not unusual for senior staff to be willing to take a salary cut to work for the City – a sign of how attractive the City is for these employees.

The City has maintained a high calibre Executive team with high levels of stability.

Underpinning our ability to employ a wide range of skilled staff is the significant work undertaken to develop and embed a strong sense of purpose and values across our workforce. This work is acknowledged by others as high quality and substantial.

The City's new Workforce Strategy 2015–2019 outlines directions for the next four years and summarises the work undertaken over the last four years to engage our staff in the delivery of Sustainable Sydney 2030. It outlines significant programs in:

- Building employee capability.
- Developing our leaders.
- Preparing for a future workforce.
- Redesigning our performance and development management process.
- Developing an employee recognition program to celebrate excellence.
- Supporting health and wellbeing.
- Improving internal communication.

We also have about 3,500 volunteers coordinated by the City of Sydney who assist us to meet the needs of the community. They work on major events, deliver Meals on Wheels, and support the Safe Space.

4.1.4 Knowledge, creativity and innovation

The City has been recognised nationally and internationally for many of its policies and strategies. A list of awards received by the City of Sydney is included at Attachment 9.

Some of the City's strategies that most highlight our capacity for knowledge, creativity and innovation are:

- Sustainable Sydney 2030.
- Local Action Plans to implement our City of Villages policy (recognised in the ILGRP report as an effective strategy for maintaining local identity).
- OPEN (the first national Late Night Economy research and Action Plan).
- Creative City Policy and Action Plan (described as the most forward looking cultural policy adopted by any level of government).
- Ground breaking Live Music and Performance Action Plan (now providing a template for other councils throughout Australia).
- Green Infrastructure Master Plan (among the first in the world).
- Design Excellence Guidelines.
- Floor Space and Employment Survey (the most comprehensive in the world).
- Child Care Development Control Plan.
- Sustainable Fleet Strategy (which received several NSW Government and industry awards for reducing the City's fleet emissions by 26% over the last four years, while also increasing service levels).
- Waste Strategy (the City is one of the few councils in the state to exceed the NSW Government 2014 target of 66% diversion of waste from landfill).
- Art Money (a program partnered with the private sector to make loans easily available to purchase art, supporting local artists and galleries).
- Food truck app (which has been downloaded 194,000 times, as part of our strategy to introduce this new industry to Sydney).

4.1.5 Advanced skills in collaborative strategic and policy development

City of Sydney planning policy is internationally recognised and regarded as world class. For example, we have recently been approached by New York City for information on our Design Excellence Guidelines.

We run the Central Sydney Planning Committee, with joint State and City of Sydney membership to review and approve major development and planning policy for the City. The 2010 review of the CSPC conducted by an independent panel chaired by Gabrielle Kibble, a former Director-General of the Department of Planning, concluded it was functioning well and operated in an efficient manner.

Other panels that collaboratively develop strategic and policy advice include:

- Design Advisory Panel
- Public Art Advisory Panel
- Inclusion Advisory Panel
- Retail Advisory Panel

- Aboriginal and Torres Strait Islander Advisory Panel
- Better Building Partnership
- Green Square Advisory Panel
- Chinese New Year Advisory Panel

Time limited taskforces and working groups include:

- Roundtables to develop the Creative City Policy
- Live Music and Performance Taskforce
- International Students Round Table
- Late Night Economy Round Table
- Small business and local Chambers Round Tables
- Eora Journey in the Public Domain

The City is a major contributor to the International Association of Public Participation (IAP2) and industry networks. We have hosted the IAP2 national conference and leadership awards for community engagement twice in the past four years.

A detailed list of City partnerships is included at Attachment8.

4.1.6
Effective regional collaboration

The Lord Mayor is Chair of the Sydney Metropolitan Mayors that brings together Mayors representing 25 of Sydney's 38 councils.

The City is also an active member of the Council of Capital City Lord Mayors that advocates primarily to the Federal Government and has been successful in advocating for the development of a National Urban Policy, a State of the Cities report and a Major Cities Unit.

The City of Sydney has been an active member of C40 Cities Climate Leadership Group for over eight years, an example of international collaboration between cities.

4.1.7
Credibility for more effective advocacy

The City of Sydney's credibility as an advocate is demonstrated through:

- **CitySwitch,** which has expanded nation-wide to cover 716 tenancies and over 2,872,232 square metres of office space since its establishment by City of Sydney, North Sydney Council, Parramatta City Council and the NSW Office of Environment and Heritage in 2005.
- **Better Buildings Partnership,** where the owners of more than 50% of CBD office space work collaboratively to improve the sustainability of Sydney's commercial and public sector buildings and help facilitate the achievement of Sustainable Sydney 2030 goals
- **NSW Government commitment to CBD light rail** which was secured by effectively demonstrating the need, completing initial feasibility and generating broad support in the business and residential communities.
- **Selection by the Rockefeller Foundation** as a participant in the 100 Resilient Cities to work with local government across metropolitan Sydney to develop resilience strategies for Sydney.
- **Eighty-five state, national and international awards** received in the last seven years.
- **The international status of the Lord Mayor** who is regularly invited to international forums to contribute to the global discussion on the role of city leadership and administration in ensuring the economic and environmental sustainability of the world's people.

4.1.8
Capable partner for State and Federal agencies

The City of Sydney routinely seeks partnerships with State and Federal Government and believes barriers to effective cooperation need to urgently be addressed. The people of NSW deserve good governance and expect all levels of government to work together for the public benefit.

However, the failure of state and local government to form adequate partnerships has not arisen because of the scale and capacity of local government. The City of Sydney routinely experiences the NSW Government taking an uncooperative approach that impedes effective and efficient delivery of local government services and infrastructure.

The City has many examples where we advocated for a partnership and achieved better outcomes. We also have many examples where the lack of partnership has resulted in sub-optimal results.

Some specific examples include:

- **Safe cycling infrastructure**

  Following the 2004 Council elections, the property industry approached the City requesting safe cycling infrastructure. Many CBD businesses had increasing numbers of their employees commuting on bikes and were concerned for the safety of their staff. The City of Sydney commenced planning and building this infrastructure, which was also being installed in many cities globally.

  The years of state government inaction and opposition are on the public record. Eventually, the NSW Government through its own transport plan acknowledged that cycling is an essential aspect of a modern city's transport infrastructure. Although the State is supporting the installation of safe separated bike lanes in the CBD, paid for by the City of Sydney, antagonistic rhetoric continues.

  The lack of capacity to partner on what is clearly essential CBD infrastructure has resulted in many delays and inefficient use of resources. Recently, theNSW Government failed to honour a formal contractual agreement with the City to build essential City-funded cycle network links through the CBD, despite the work being part of the NSW Government's own City Centre Access Strategy, which recognised "two-thirds of inner Sydney residents would ride to work at least once a week if they had access to separated bike paths for the full distance of their trip." (p.15)

- **Light Rail**

  When the City of Sydney conducted its consultation on Sustainable Sydney 2030, inner city congestion and inadequate public transport was identified as a central priority. The City proceeded to study options for CBD public transport and came to the conclusion that light rail was our preferred option.

  The previous NSW government did not work in cooperation with the City despite acknowledging the need for a solution. Eventually the current government undertook its own transport planning and agreed that light rail on George Street and a coordinated CBD transport strategy was needed. We now have an agreement with the NSW Government and are contributing $220 million to the George Street project.

- **Green Square**

  The City's largest renewal precinct—and one of Australia's largest urban renewal projects—is the 278 hectare Green Square redevelopment area. It was earmarked for development by the state and federal governments in the mid-1990s. Despite the airport train line opening in 2000 and development on sites such as Landcom's Victoria Park and Meriton's ACI site—the project was virtually moribund by 2004.

  The obstacles to development were fundamental. Land for the Town Centre was in multiple ownerships, including land required for essential infrastructure. The costs to deal with transport, flooding and contamination were high, with no commitment or engagement from state agencies.

  The City began a comprehensive review of the financing, zoning, land use, urban design, retail, traffic, transport, street layouts, stormwater management, social planning, open space, community facilities and overall infrastructure of the site. When the Green Square Consortium argued that the Town Centre wasn't viable without increased density, we put a new planning proposal to the community and then endorsed it. The City developed a fully costed, infrastructure plan and is investing $440 million over the next ten years.

Despite numerous meetings with Ministers and establishment of a Department of Premier and Cabinet coordination committee, agreement and funding for the trunk drainage (a Sydney Water responsibility) was not reached until 2014. The City is funding more than half of the trunk drainage (approximately $55 million out of $100 million). With commitment on the critical trunk drainage infrastructure, development is underway.

There is still no state public transport strategy to meet the needs of the rapidly increasing population, despite a joint State and City Government Transport Management and Access Plan (TMAP) in 2008 that concluded a policy of 'no net increase in private vehicle traffic' was required to prevent unsustainable congestion. Although the City is not responsible for public transport, it has purchased key sites to protect the transport corridor.

In 1999 when most of Green Square was rezoned from industrial to residential, the area had 3,000 residents. The population has grown to over 21,000 and, with nearly 10,000 apartments due for completion over the next four years, should increase by 19,000 more residents by 2019. The population is expected to peak at 53,000 residents and over 20,000 workers by 2030. The infrastructure strategy prepared by the City shows Green Square could need five new primary schools, a new high school, around 125 extra hospital beds and 250 aged care beds, and an ambulance station.

- **Funding for homeless services**

  Over the past ten years, the City of Sydney has allocated $20 million to providing homeless services in partnership with the NSW Government. We've now made a $1.4 million annual provision to support the NSW Government's Going Home Staying Home program.

City state Partnership

The City seeks a whole-of-government commitment to cooperation and respect. Governance reform is needed to clarify who has authority and how decisions will be made.

The City of Sydney supports the 'City Partnership Committees' model proposed by the Independent Local Government Review Panel (Revitalising Local Government p. 101), based on the Adelaide Capital City Committee established under the City of Adelaide Act 1998. The Committee plays a facilitation, initiation and coordination role, and formal decisions are referred to either State Cabinet or the Adelaide City Council.

Another model is Canada's Urban Development Agreements (UDAs), with the 2000 Vancouver Agreement providing a specific successful example of different levels of government working jointly and effectively with the community and private sector to address complex city issues (www.vancouveragreement.ca/the-agreement).

Effective strategic partnerships will not be achieved while the relationship between state and local governments is one of "master-servant". The critical issue is whether State and Federal Governments are ready to be capable partners for our City Government. The prerequisites for this include agreement on the aims of the partnership, capability and willingness for action, and a relationship of respect.

4.1.9
Resources and capability for complex and unexpected change

The Rockefeller Foundation has selected the City of Sydney to receive funding for the development of a Resilience Plan, to support Sydney's capacity to withstand change. The City is also completing its Climate Adaptation Plan.

Internally, the City's Executive has senior officers who have had previous experience managing and leading large scale organisational change across multiple sectors.

The City has developed and implemented a comprehensive Leadership and Management Capability Framework and development plan for its 300 people managers. The capabilities include the ability to balance the needs of multiple stakeholders and navigate complex and changing circumstances to achieve results.

The City's learning and development programs include a range of programs to equip our staff and managers with skills to effectively manage change, including Developing High Performing Teams; Leading People through Organisational Change; and Fostering Innovation and Improvement. In 2013, the City was shortlisted for the Australian HR Awards under the Change Management Category.

The City has been improving its ICT facilities and implementing new business systems. Our ICT Strategic Plan has been adopted and added to our Integrated Planning and Reporting Resourcing Strategy to guide investment to respond to with technological change.

4.1.10 High quality political and managerial leadership

Following election of the new City Government in 2004, the City consulted with local communities to develop Local Action Plans. We asked what our communities liked about their area, about its special characteristics, and what they thought it needed.

The City responded by developing plans that respected the character of each neighbourhood, while addressing its problems. The Local Action Plan projects are now complete, creating many new facilities, parks and street improvements.

In 2006, the City of Sydney commissioned extensive research and initiated unprecedented consultation to plan for our City's future. We spent a year talking and listening to our diverse communities.

The resulting plan, Sustainable Sydney 2030, consists of four main elements: an environmentally sustainable city, one that is economically and culturally sustainable, and, crucially, a socially sustainable city. When the 2030 plan was finalised and endorsed in 2008, we set to work delivering on its commitments.

This submission provides numerous examples of the capacity of the City's political and managerial leadership to deliver on its agreed strategy.

In Australia, democratic processes are ultimately responsible for providing political leadership. Since 2004, the Lord Mayor has been re-elected on two occasions with a majority of first preference votes. This democratic endorsement of the leadership, priorities and work of the council demonstrates satisfaction over a long period.

4.2 Consistency with regional and state objectives

IPART also proposes a range of criteria for local government to be consistent with broader regional and state-wide objectives.

For the metropolitan areas these objectives are to:

1. Create high capacity councils that can better represent and serve their local communities on metropolitan issues, and be true partners of State and Federal agencies.
2. Establish a more equitable pattern of local government across the metropolitan area, taking into account planned development.
3. Underpin Sydney's status as a global city.
4. Support implementation of the Metropolitan Strategy, especially the planning and development of major centres and the preparation and implementation of sub-regional Delivery Plans.

4.2.1 High capacity to serve local community and partner State/Federal Government

Following the 2004 amalgamation, the City of Sydney undertook extensive research and consultation to develop a strategic plan for our area, Sustainable Sydney 2030.

The adopted vision and strategy guides the City's work. Its directions and objectives are embedded in our Integrated Planning and Reporting Program, four year Delivery Program, annual operational plan and budget. The City of Sydney engages effectively across the whole community, including residents, business, industry and government.

The City of Sydney is a member of the Council of Capital City Lord Mayors (CCCLM), a national forum of Lord Mayors that advocates to the Federal Government on issues affecting capital cities.

The CCCLM has successfully lobbied for the establishment of a Major Cities Unit under the Rudd Government, the development of a National Urban Policy and development of the State of the Cities report which measures how our cities are progressing on an annual basis.

The City was a founding member of CitySwitch, a program working with commercial tenants who want to improve the environmental performance of their tenancies. The program is now national.

The City makes detailed and professional submissions to both the NSW and Federal Government on issues of relevance to our communities and the future of our city. Examples include:

- Barangaroo Modification 8.
- NSW Parliamentary Inquiry on Social Housing.
- State Environmental Planning Policy 65.
- Rebuilding NSW.
- Royal Botanic Gardens Master Plan.
- Review of Crown Lands Legislation.
- Urban Water Regulation Review.
- NSW Waste Regulations.
- State and Federal cultural policies.

4.2.2 Equitable pattern of local government

The Independent Local Government Review Panel recognised that the City of Sydney is Sydney's capital city council and supported the retention of a City of Sydney Act to highlight and make provision for special "capital city" features and functions.

An equitable pattern of local government needs to preserve this leadership role as "'first amongst equals' of metropolitan councils due to the importance of its decisions, geographic scale, budget and responsibilities, reputation and profile, and relationship to political, business and civic leaders" (Revitalising Local Government, ILGRP page 100).

The Panel supported further measures for closer State-City cooperation, proposing a "City Partnership Committee" based on the Adelaide Capital City Committee model to bring together local, State and perhaps Federal governments to undertake integrated planning and promote economic development.
It suggested the Act could provide for areas such as Barangaroo to be progressively returned to the normal system of local government management (whilst remaining State-owned).

The ILGRP also noted the potential for further development of Parramatta as the "second CBD". The City supports a polycentric urban structure for Sydney, with the growth of Western Sydney improving the scale and mix of job opportunities and contributing to Sydney's overall productivity.

The City has repeatedly stated in submissions on the NSW Government's reform process for local government that the priorities are to strengthen financial capacity, improve governance, and establish mechanisms for collaboration, especially a partnership of respect between state and local government.

4.2.3
Underpin Sydney's status as a global city

More than 200 of the top 500 Australian corporations have headquarters in the City. Whilst the City is renowned as the location for large national and multi-national corporations, 44% of businesses in the City have less than five workers, and 40.9% have between five and 20 workers. These small businesses employ almost 25% of the City's workforce.

Sustainable Sydney 2030 recognised that modern global cities prosper on the interaction between large and small business, and between business and residents. A successful global city needs to address economic, social, cultural and environmental issues. Increasingly in a global world, liveability is a key driver for prosperity and economic growth — the places where people want to live are also the places they want to set up business and work.

This principle is at the centre of the City of Villages policy to preserve and enhance the distinctive characteristics of our inner city neighbourhoods.

Sustainable Sydney 2030 targets the attributes that business seeks in order to choose to locate in the City of Sydney. In response to business needs for high quality commercial floor space, the City has strategically reviewed key sites such as AMP, Goldfields and Liberty Place for increased capacity. In response to calls for efficient transport, the City has committed to George Street light rail, car share and active transport (walking and cycling). Workers seek late night cultural and entertainment diversity, so the City developed OPEN, our late night economy program, our Creative City Policy, and promoted food trucks, small bars and laneway development.

Increasingly, businesses are locating in clusters of linked activities to take advantage of agglomeration to share knowledge, suppliers and customers, reduce costs and increase innovation. This has important impacts on productivity and the City economy, as well as the ability of such businesses to compete globally. The City economy is more productive per labour hour than any other area of Australia. On average, for every hour spent by a worker in the city there is a greater contribution to GDP compared with other areas of Australia.

Global cities need reliable labour, which is affected by the lack of affordable housing. Until recently the City has been a lone voice outlining the risks and providing essential key worker housing, despite a policy vacuum at state and federal levels. This is one of the most serious issues facing our global city status.

The City of Sydney is at the forefront of recognising that the cities we compete with nationally and internationally are all providing the quality planning, services and amenities—and the City has delivered.

4.2.4
Support the Plan for Growing Sydney

Our extensively researched and widely consulted strategic plan, Sustainable Sydney 2030, adopted in June 2008, puts the case that denser cities can deliver strong economic growth, with least environmental footprint, and high liveability. While there was no metropolitan plan at the time it was developed, Sustainable Sydney 2030 is in complete strategic alignment with the current metropolitan plan, A Plan for Growing Sydney.

In February this year, Council considered A Plan for Growing Sydney detailing how it is responding to the requirements in the plan. The report provided a detailed response to the Plan's 21 directions and 59 supporting actions. Council unanimously resolved to support consultation with key agencies and stakeholders for the sub-regional planning process. To date, City staff have actively participated in all Central Sub-regional planning workshops.

The City of Sydney has endorsed the overwhelming majority of the metropolitan strategy's directions and actions and is seeking a robust delivery framework that meaningfully engages with key stakeholders. This will require targets and performance indicators, appropriate monitoring, and commitments to fund infrastructure.

The City supports a polycentric urban structure for Sydney, with Parramatta as a second CBD. The growth of Parramatta will improve the scale and mix of job opportunities and make a significant contribution to Sydney's overall productivity. The City has already made a significant contribution to housing and employment, meeting and exceeding targets identified in the earlier NSW Government metropolitan strategies.

4.3 Social and community context of the Council

Lone households in the City of Sydney represent 40% of households and 74.5% live in high density accommodation.
Over 50% of residents live in rental accommodation, almost double the average for Greater Sydney. However, recent residents are increasingly home-owners and purchasers.

One-in-ten households in the City of Sydney live in social housing, double the metropolitan rate of 5%.

The City of Sydney's residential population is remarkably diverse based on socio-economic characteristics. Four areas in the City were ranked in the top 30 in NSW as being the least disadvantaged by the Australian Bureau of Statistics, contrasted with the 8.5% of the City's areas which were ranked as the most disadvantaged. This disparity presents its own challenges for the City of Sydney.

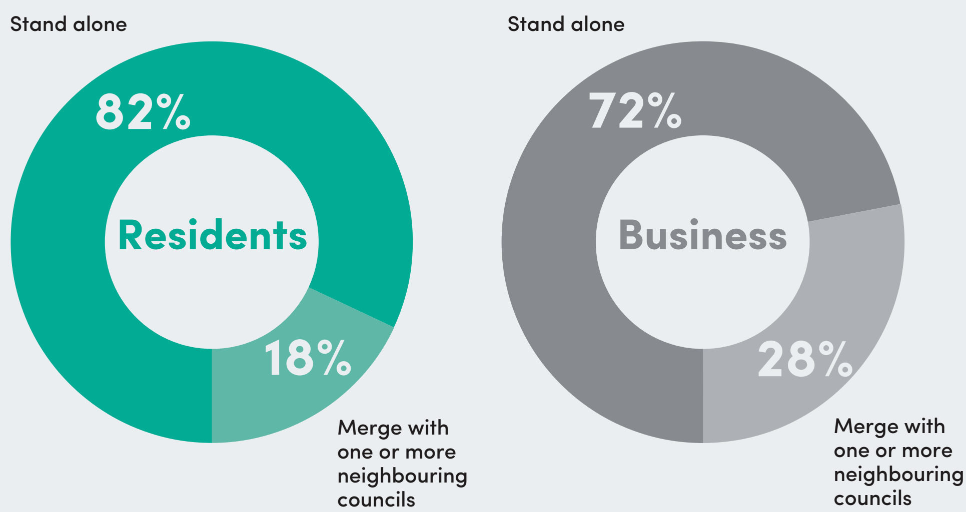
New residents to the City of Sydney tend to:

- Be in a narrow age demographic (27-32 years of age).
- Be cosmopolitan – particularly Asian and Chinese-born.
- Have high education levels.
- Be increasingly likely to work in a Professional/ Managerial occupation whilst working within the City.
- Have high income potential but a large mortgage, which tends to make them time-poor.
- Be increasingly likely to be having children and remaining in the City as children grow up.

Further detail about the City of Sydney's community is available in Attachment 2.

4.4 Council consultation of FFTF proposals

Figure 34: Summary of support for amalgamation



As part of preparing this submission, the City of Sydney engaged with our communities to ensure that they were aware and involved in the Fit for the Future consultation process.

The City of Sydney:

- Conducted a robust, statistically-sound telephone survey in March/April 2015, including 1000 residents and 500 business operators.
- Provided the same survey online via Sydney Your Say (sydneyyoursay.com.au), with supporting information about Fit for the Future and the City's position.
- Held pop-up events where community members were able to complete the survey and find out more.
- Ran a promotional campaign informing the community about the issue and ways they can have their say.
- A full report on the consultation program is at Attachment 6.

The statistically sound survey of 1000 residents and 500 businesses highlights that the City of Sydney community does not support further amalgamations. Figure 34 summarises the results, showing an overwhelming 82% of residents and 72% of businesses support the City of Sydney continuing with its current boundaries.

The reasons that respondents gave for their position include:

- The City of Sydney is large enough as it is.
- The City of Sydney has a plan and is working to implement it – do not disrupt things now.
- The City of Sydney is financially responsible.
- The City of Sydney is not corrupt.
- The City of Sydney provides great services.
- The City of Sydney has already been amalgamated.

Attachments

1 Integrated Planning and Reporting Program 2015/16
2 Profile of the City
3 Community and Active Transport Infrastructure Projects, 2004–2015
4 Case study: George Street light rail and Green Square
5 Public Consultation: Fit for the Future
6 Public Consultation: Sustainable Sydney 2030
7 Partnerships
8 Awards
9 History of amalgamation and boundary changes

Image: The Eternity Playhouse