

31 July 2015

Lucy Garnier  
Executive Director, Local Government  
Independent Pricing and Regulatory Tribunal  
Review of Fit for the Future Proposals  
ipart@ipart.nsw.gov.au

Our Ref: 2015/198749

Dear Ms Garnier

**Pittwater Council's Improvement Proposal**

Please find attached our submission regarding content contained in Pittwater Council's Improvement Proposal.

Our submission is presented with consideration of IPART's methodology, the NSW Government's preferred option for the northern beaches region, evidence within independent studies and the variety of positive outcomes that can come from a well-structured reform.

Warringah remains willing and committed to work with our neighbouring councils and communities. Combining all three councils in the region will deliver greater strategic capacity, financial sustainability and a stronger future. We wish to develop this together with our neighbours in a way that strengthens local identity and local voice, while unifying our community and all that we have in common.

Yours faithfully



Rik Hart  
General Manager



## **Submission to IPART Pittwater Council's Fit for the Future Improvement Proposal**

Warringah Council has reviewed Pittwater Council's proposal (the Proposal), and in the broader context of the ILGRP's recommendation for a Northern Beaches Council, raises the following points that would be worth clarity to ensure the best reform solution is delivered for the community.

We wish to clarify the following content within the Proposal:

1. Details on how the Proposal meets scale and capacity criteria, namely financial strength, infrastructure funding and effective regional collaboration.
2. How technical differences between economic models and research form a basis for no change, while the common findings of those models support change.
3. The relevance of the rationale for not progressing with a merger proposal, including: loss of local voice and identity, when proven mechanisms exist for retaining local voice and control; no benefits to merging, contrary to research evidence; the relationship between land values and governance; historical issues that no longer exist; and further reasons.
4. Is the community consultation process consistent with the recommended methodology for Fit for the Future Proposals.

### **SCALE AND CAPACITY CRITERIA**

We feel that there is a lack of clarity surrounding the financial strength and infrastructure funding details of the Proposal. In terms of Infrastructure and Service Management, it is unclear how Pittwater has reduced its infrastructure backlog of nearly \$65m over two years (2012 to 2014).

The Proposal relies on SHOROC continuing as the main vehicle for regional collaboration. How will this achieve scale and capacity considering that the research and practice on ROCs in NSW and WA has found that:

- there are serious shortcomings and barriers to effective collaboration, including lack of trust and commitment, and frequent opting-out of arrangements
- an unfair burden exists on lead councils in any ROC, usually the larger council, undertaking most of the background work in scoping shared services and providing economies of scale to the smaller councils. Often the lead council already has a suitable scale and gains no advantage in these arrangements
- growing challenges for the future role of ROCs means that smaller ROCs will struggle to remain viable and exert enough influence.

From: A comparative analysis of Regional Organisations of Councils in NSW and WA. Alex Gooding 2012 for ACELG and NSROC

SHOROC is one of the three smallest ROCs in the State. As the lead council, Warringah has experienced all of the above described shortcomings. While SHOROC has achieved tangible benefits for the region, Warringah does not believe that SHOROC is viable for the future and, for the reasons listed above, a better model is required that operates at a larger scale to meet strategic planning and service objective.

The voting arrangement in SHOROC has resulted in Warringah having the lowest effective voice per resident in outcomes, and contributes to an imbalance in regional planning, State priorities and funding and distinct disadvantage to Warringah residents who form 60% of the region's population. Examples include the failure to elevate the importance of the East-West public transport corridor (currently rated one of the three most congested corridors in Australia, Australian Infrastructure Audit Report Vol 1, April 2015) in negotiations involving the Northern Beaches Hospital precinct

and infrastructure (soon to be located on this corridor). This is a major setback to all communities on the northern beaches who travel East-West, and is a failure to secure a connection with the Global Economic Corridor to our west. This connection is critical to the economy and liveability of the region.

### **OTHER ACTIONS CONSIDERED**

We wish to clarify the technical and methodological differences of various economic and strategic research raised by the Proposal, and bring to attention the common findings of that research. All economic studies have found that a Northern Beaches Council is the most financially viable governance option for the northern beaches. We feel that focussing on the different technical results of studies, as the Proposal has done, misses the intention of such research:

*“The alleged cost savings promoted by Warringah in practice do not eventuate and have been disproved by Professor Dollery and KPMG” (p. 37, 38, 51).*

The technical results of SGS 2015, Dollery 2013 and KPMG 2015 (Dollery and KPMG commissioned by Pittwater and Manly) all differ due to different objectives, scope and assumptions of the studies.

SGS 2013 and SGS 2015 were high-level strategic and financial appraisals of different options that intended to allow Warringah to determine communities of interest, financial and non-financial benefits and assist in developing preferred options. SGS is a highly credible analyst and is on two of the Government’s panels: Expert Panel and Business Case Panel. The emerging patterns of savings, costs and overall benefits in SGS are similar to the KPMG results, as well as SGS studies for other councils (eg. Refer to Randwick study of five options).

The complexities of economic studies of this nature are such that they are not necessarily directly comparable, however they do not cancel each other out. While the KPMG 2015 and SGS 2015 reports may differ in actual figures, the reports conclude that the same benefits exist for amalgamations across the options:

- **Merge three into a single northern beaches council** – the greatest benefits, well above any other option
- **Merge two councils:** i.e. Manly and Warringah, gives intermediate benefits
- **Split the region into two councils:** gives the least benefits.

When Prof Dollery critically reviewed Warringah’s SGS 2013 study, his approach referred to assumptions and methodology that were beyond the scope or intention of the SGS study. SGS have responded to his critique, and their response can be provided to IPART on request.

We also wish to note that KPMG 2015 have assumed much higher merger costs than are likely to be realised for each of the merger options, compared to costs previously experienced within Australia, and the costs are not scaled to the size of the combined organisation. The SGS 2015 study appears to provide a more realistic cost estimates for different merger options, around 1.4% of operating expenditure for changing processes and systems.

(Warringah’s Improvement Proposal Appendix 2.3, p16).

### **RATIONALE FOR NO CHANGE**

#### Local Voice and Identity

We are unclear about how merging would negatively affect the unique area, environment and level of governance for the Pittwater region (p. 50). There is evidence from larger councils in Sydney, Australia and overseas on how local qualities are maintained and championed. For example, community satisfaction results show that Sydney councils larger than the size of a Northern Beaches Council serve their communities well, do not degrade local identity and achieve high community satisfaction of 91% or more e.g. The Hills, Sutherland, Blacktown and others.

The Panel's final report (Chapter 10) covered proven mechanisms for retaining local voice and control, including Local Boards, enhanced community engagement, place-making and effective customer response systems. These strategies can all be well-resourced and catered for in a Northern Beaches Council. Pittwater Council's community engagement appears not to have promoted these as possibilities in their discussion of the local voice.

#### No benefits from merging

The Proposal states that, for Pittwater, there are no benefits from merging the three councils (p. 5, 37). This view appears to contradict the evidence and expert opinion that exists with direct relevance to Pittwater:

- Warringah's SGS economic and strategic investigations and Pittwater's KPMG investigation discuss tangible financial and strategic benefits of combining the current northern beaches councils.
- Benefits of a united Council was identified in previous Government recommendations nearly 40 years ago: "... areas are comparable in all respects – physical, social, cultural, economic and administrative. The strong natural boundaries make it an ideal geographic unit for integrated planning, development, administration and community of interest" (Local Government Boundaries Commission 1977).
- The Panel presents benefits for a new Northern Beaches Council:
  - stronger strategic capacity
  - consolidation of a good financial position by sharing resources and capabilities
  - better rating base from residential and business rating revenue stream
  - stronger opportunities for infrastructure management and backlog issues
  - stronger voice in long-term planning
  - ability to apply a regional context to employment creation and economic development projects, transport masterplans, recreation and sporting facilities (Northern Beaches Regional Grouping Options, Independent Local Government Review Panel 2013).

Further, the Panel provides the following researched rationale for a new Northern Beaches Council:

- close functional interaction and economic/social links between these councils
- constitutes an 'island' in the metro region
- need for integrated planning of centres, coast, transport etc. (Independent Local Government Review Panel's final report 2014, p. 105).

*"We've been asked by the State Government to create a stronger local government sector, a combined northern beaches council taking in all three could be very strong. It could play a very important role in Sydney"* (Prof Graham Sansom, Manly Daily 11 November 2014).

#### Improving land values

The Proposal claims that Pittwater's land values are higher than Warringah's *"demonstrating that Pittwater's model of local government is more beneficial to its landholders in terms of land valuations"* (p. 50). Land values reflect the property market and the nature of land and development in that area, not the size or nature of the local council.

#### Dysfunctional amalgamation

There is no relevance in drawing on governance issues at Warringah Council 12-25 years ago as a reason for not forming a new organisation focused on the future of the Northern Beaches (p. 32, 50).

Warringah Council is a different organisation now. Twelve years of steady and effective business improvement and two terms of new councillors, has turned Warringah into a high performing, business excellence driven organisation. Warringah is now one of the highest performing councils in NSW which is evidenced by:

- Overall community satisfaction of 94%, up from 91% last year, one of the highest in NSW and higher than any neighbouring council (Warringah community survey, Micromex July 2015).
- Community satisfaction of 90% with the Mayor and Councillors, (Warringah Council community research, Micromex July 2015).
- The highest staff performance index in NSW, the third highest in Australian councils, with ongoing improvement over the last five years (2015 Insync – Employee Opinion Survey).
- Top three for financial sustainability in NSW (Tcorp 2013).
- Above-average financial and asset performance for Sydney metro councils (OLG 2015 Your Council – profile and performance of the NSW local government sector).
- Lowest rate cost in the region and among the lowest opex/capita of Sydney councils – Pittwater’s operating cost per capita is at least 23% higher than Warringah’s; Manly’s are at least 42% higher (2013-14 data from OLG 2015 Your Council – profile and performance of the NSW local government sector).
- 36 awards and citations in the last two years at state, national and international levels. These have spanned awards for management, services and sustainability. (listed in Warringah Proposal’s Appendix 1.2)

#### Support for amalgamation is underestimated

We wish to clarify the meaning of our own engagement results, as there seems to be some out-dated information about this in the Proposal. The Proposal writes: “60% of the Warringah residents are in favour or open to amalgamations” (p.51). Warringah’s community engagement report shows much higher support: 80% of submissions and surveys support local government change on the northern beaches, with 74% of Warringah responses choosing a new Northern Beaches Council as their first preference (Warringah Improvement Proposal Appendix 3.1A, p. 4).

## **OPTIONS**

### Presentation of balanced information

It is not clear if Pittwater’s consultation process is consistent with NSW Government guidelines for a balanced community consultation process (IPART’s Methodology for Assessment p. 50-51). It appears that Pittwater’s consultation process omits the research of the three year Panel review and Pittwater’s KPMG study. Much of KPMG’s positive results for amalgamation are not referenced (KPMG report, Part B Section 4.4). Very little research or rationale behind the need for change, or potential opportunities of an amalgamation, were presented.

Further, the language used in the consultation material may be considered as presenting an unbalanced view by referring vaguely to researched benefits (“*amalgamation may yield savings*”), stating unfounded risks as definitive (“*but will reduce local voice*”) and referring to a single northern beaches council as a ‘mega-council’.

‘Mega-council’ or ‘super-council’ are terms that are normally applied to city-sized mergers such as Brisbane or Auckland, of over 1 million people. It is not relevant to a Northern Beaches Council with a population size of around 250,000, which notably is the smallest recommended merger for Sydney, and is a similar size to the existing Sutherland Shire Council. The relative size of the recommended option was not discussed within the engagement material and did not allow conversation that councils of this size can be well-managed and well-tuned to their community.

### Reference to Warringah options

The Proposal claims that Warringah was only willing to consider two merger options on the northern beaches (p. 6, 37). We would like to clarify that this statement is incorrect. Warringah openly considered five options for the region, as evidenced in Warringah’s own Proposal.