



25 May 2015

Methodology for Assessment of Council Fit for the
Future Proposals
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Our Ref: 2015/131510

Dear Sir/Madam

Assessment Methodology - Fit for the Future Proposals

Thank you for the opportunity to comment on the assessment methodology regarding Council Fit for the Future Proposals. The proposed methodology is comprehensive and clear.

Our comments are limited to areas where we believe further clarification and guidance are required particularly in relation to ensuring councils give genuine consideration to the recommendations of the Independent Local Government Review Panel (ILGRP).

Warringah Council supports the recommendation of the ILGRP that Manly, Pittwater and Warringah Councils merge. We strongly believe that the Northern Beaches community would be best serviced by a single council.

However, the process as it stands only permits a 'merge proposal' (Template 1) where the parties involved in the merge agree. As such, we will be submitting an Improvement Proposal illustrating how Warringah Council is Fit for the Future on our own.

We have some concern that the Terms of Reference and the Methodology are limited to the determination of councils' status of being either "fit" or "unfit". The scope of IPART's role is strictly limited and stops it from holistically determining the best outcome for the community.

We feel that any ambiguity in IPART's methodology, particularly on threshold criterion, potentially exposes the overall process to parochial and petty politics, undue political influence, extensive lobbying and unnecessary community expense.

As a strong supporter of the NSW Government's ILGRP recommendation for creating one Northern Beaches Council, we are keen to protect the integrity of the process and ensure it is not a target of manipulation in any way.

We believe that removing any ambiguity and clearly defining a minimum population size for each Council would ensure transparency and protect the integrity of the process for IPART and the NSW Government.

WARRINGAH COUNCIL

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We support that 'scale and capacity' should be the threshold criterion councils must meet in their Fit for the Future proposal. We also support the emphasis that councils submitting proposals that are not consistent with the ILGRP recommended merge demonstrate that their proposal be "*superior to the recommended merger*".

One of the key recommendations of the ILGRP was improved Metropolitan Governance including stronger coordination and more robust arrangements for an effective partnership of State and local government. The ILGRP stated the only way to achieve this was by significantly reducing the number of councils in Sydney on a sensible regional basis or on common communities of interest with strong functional links. We are concerned that the current inertia demonstrated by the industry to even consider the recommended merger options will be reflected in the submissions to IPART.

We note that IPART will consider "*the nature and quality of the supporting information, including the rigour by which the ILGRP's preferred options for scale and capacity were explored by the council*" (page 7). We are interested in how this will be approached. Warringah has made a number of attempts to have an open dialogue about the preferred option for the Northern Beaches region however our neighbouring councils have not been willing and resolved not to consider the possibility.

In our view the methodology around scale and capacity needs to be strengthened and explicit.

To increase the chance of the State Government reform program being successful a minimum population size needs to be defined to provide context for responding to the ten elements of strategic capacity. As ambiguity exists we understand that the majority of metropolitan councils are working on the basis that they will be 'fit' on their own. Without this clarity the opportunity for strong and effective partnerships between Council's across Metropolitan Sydney and the NSW Government will be lost.

The ILGRP's recommendations show that every small Sydney council (from Office of Local Government Group 2) is recommended to combine with at least two other complete councils from Group 2 or the larger Group 3 councils. While each combination is designed on strong existing links, functional interactions and the need for more integrated planning, the appropriate scale is a major determinant for each recommended merge – not only to improve the capacity of new councils, but also the sector's partnership with the State.

A Northern Beaches merger is the smallest merge recommended by the ILGRP in Sydney with a combined population of just over 237,000 residents at 2011 Census (or over 258,000 at 2013). This would appear to be the absolute minimum population for Councils across Metropolitan Sydney, excluding those not recommended to merge by the ILGRP.

Warringah would support the methodology being amended to provide for a minimum population size of 250,000 based on 2013 ABS data. We understand from discussions with other councils that if a minimum number was explicitly stated in the methodology some councils currently opposed to merging would reconsider their position.

As a threshold criterion it needs to be clear to all parties the grounds on which councils are assessed as either fit or unfit. At present the qualitative approach to assessing



scale and capacity proposed, with IPART making a “judgement call” on councils’ overall response, can be challenged as not being transparent. This invites councils to propose little or no change, or even options that are counter-productive.

As noted above, based on the current methodology Warringah Council’s submission will be an Improvement Proposal. We can establish based on our size (152,636 residents in 2013) and capabilities we are fit on our own. We understand our neighbouring councils, Manly and Pittwater, will also be submitting Improvement Proposals, including an alternate model to split the Northern Beaches into two council areas.

Their alternate model involves a boundary change which would split Warringah and create a larger Pittwater and Manly LGAs with each Council having a population of approximately 129,000 (2013 figures). The population is an estimate only as no clear boundary adjustment has been presented to their communities.

Such a proposal clearly goes against the recommendations of the Panel, creating two councils which are smaller than the existing Warringah Council, each half the size of the smallest recommended merge for Sydney.

The Chair of the Independent Local Government Review Panel, Professor Graham Sansom commented in October 2014 on the proposal to split Warringah saying “it strategically makes no sense.... it is fundamentally flawed”.

Professor Sansom, recently emphasised that “the Panel obviously saw no need for boundary changes on the Northern Beaches and that the Manly-Pittwater proposal clearly would go against the Panel’s approach”.

The Panel’s final report also emphasised that amalgamations should avoid boundary changes as a general rule. They “should combine the whole of two or more existing local government areas without the additional cost and disruption of associated boundary adjustments” (page 76). The report further highlights that such boundary changes “can be disruptive, and transition costs may place a heavy strain on new organisations” (page 73).

This is confirmed by recent business case studies for the northern beaches by SGS Economics and KPMG, both of which found that the option to split Warringah was the most costly of all the amalgamation options. Estimates show it could cost the community an extra \$179 million over 10 years.

Alternate, options to combine complete local government areas (for example Manly and Warringah) have not been considered by our neighbours.

Without any guide on minimum population size for metropolitan councils, more proposals splitting large high-performing councils could arise creating poor capacity councils with heavy transition burdens.

If changes to the methodology outlined above are supported, some councils may be forced to rethink their submission. As such it may be necessary to allow an extension of time for any changes to be considered.



Thank you for your consideration of the above points. We are very keen to support IPART and the NSW Government to move towards the Independent Local Government Review Panel's recommendation.

Yours faithfully



Acting General Manager

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