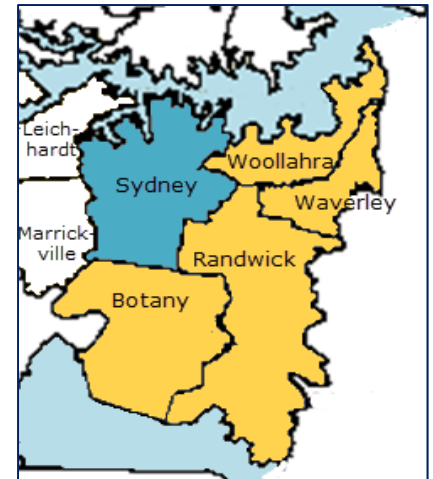


THE COUNCIL OF THE CITY OF SYDNEY – CIP

NOT FIT AS A GLOBAL CITY COUNCIL

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| Area (km ²) | 27 | Population 2011 | 183,300 |
| OLG Group | 1 | (2031) | 273,500 |
| ILGRP Group | Sydney Metro | Merger 2011 | 487,600 |
| | | (2031) | 653,250 |
| Operating revenue (2013-14) | \$501.6m | TCorp assessment | Strong FSR Positive Outlook |
| ILGRP options (preference in bold) | Merge with Randwick, Waverley, Woollahra and Botany (all shaded) or combine as strong JO. | | |



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| Assessment summary | Scale and capacity | Does not satisfy |
| | Financial criteria: | Satisfies overall |
| | • Sustainability | Satisfies |
| | • Infrastructure and service management | Satisfies |
| | • Efficiency | Satisfies |

Fit for the Future – NOT FIT AS A GLOBAL CITY COUNCIL

- The council does not satisfy the scale and capacity criterion when compared to the ILGRP's option of a Global City Council.
- The council satisfies the financial criteria overall. It satisfies the sustainability, infrastructure and service management, and efficiency criteria.
- Scale and capacity is a threshold criterion which councils must meet to be Fit for the Future (FFTF), therefore the council is not fit.
- Should the Global City Council option not be adopted by Government, the council meets the scale and capacity criterion as a stand-alone council and would be fit as a stand-alone council.

Scale and capacity – does not satisfy

- The ILGRP preferred option for City of Sydney was the Global City Council. City of Sydney was required to show its stand-alone option was at least as good the preferred merger option.
- City of Sydney did not submit a business case comparing its stand-alone option to the Global City Council. As such it has not demonstrated its stand-alone option is at least as good as the Global City Council.
- The stand-alone council's residential population is forecast to be 273,500 by 2031 compared with the forecast merger population of 653,250. The Global City Council will have enhanced scale and capacity to effectively partner with governments on key infrastructure such as the Sydney Light Rail Project and the second Sydney Harbour rail crossing, compared to remaining a stand-alone council.
- The larger council may also better integrate planning and development as the CBD expands.
- Our independent economic consultants Ernst and Young estimated net benefits from the Global City Council merger of \$283m over 20 years using public data. The business case shows additional benefits to society from joining City of Sydney to Woollahra, Waverley, Randwick and Botany.
- In order to realise the objectives and optimise the benefits of the Global City Council, the Government might need to consider the following issues:
 - The extent to which the Global City Council should be given control over key infrastructure such as the Sydney Opera House, Barangaroo, Port Botany, Circular Quay and Darling Harbour to enable it to operate effectively as a Global City Council, as this infrastructure is currently administered by bodies separate to local councils.
 - How to ensure the development and growth of the CBD and surrounding areas continues. This may require changes and enhancements to the *City of Sydney Act 1988*. In addition, the implications for business voting within the Global City Council may need to be considered, as the *City of Sydney Act 1988* will allocate two votes to businesses in local council elections in the City of Sydney from 2016.
 - Measures to ensure the significant council revenues generated from businesses (\$189m in 2012-13) in the Sydney CBD are spent efficiently to realise the key objectives of the Global City Council.
- City of Sydney argues it has sufficient scale and capacity because it accommodates 1.2m people daily in its area and produces approximately 25% of the state's GDP.

- It also argues there would be a disconnect joining a primarily CBD-based business council with neighboring residential councils.
- Other data also suggests City of Sydney is a well-run council with significant scale and capacity. It has pro-actively partnered with governments, undertaken significant CBD-based urban renewal, and approved a large range of development projects to grow the CBD.

Sustainability - satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance ratio and the own source revenue ratio by 2019-20.
- We estimate that adjusting the operating performance ratio by removing interest income on section 94 Reserves would reduce the ratio by approximately 0.7 percentage points to 0.1% in 2019-20 which would still meet the benchmark.
- The council does not meet the building and infrastructure asset renewal ratio benchmark by 2019-20 based on its current method for calculating this ratio. The council has indicated it is renewing assets in accordance with its Asset Management Plan. The council relies on an alternative measure in its Asset Management Plan focusing on “Required Annual Maintenance”. This is forecast to be above the benchmark in 2024-25.

Infrastructure and service management - satisfies

- The council satisfies the criterion for infrastructure and service management based on its forecast to meet the asset maintenance ratio by 2019-20, and forecasts the infrastructure backlog to be close to the benchmark by 2019-20.
- The council does not meet the debt service ratio benchmark. The council considers debt financing has not been required to meet its current expenditure outlays. However, the council is developing a policy framework to determine when borrowing is appropriate and needed.

Efficiency - satisfies

- The council meets the criterion for efficiency based on declining real opex per capita over the period to 2019-20.

Other relevant factors

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| Social and community context | Residents in the City of Sydney are culturally and linguistically diverse, and there are areas of significant socio-economic disadvantage. The City of Sydney is unique in that it is Australia’s major finance and business centre. There are approximately 1.2m people in the area daily including residents, workers, students and visitors. |
| Community consultation | The council informed its community of the FFTF process through information stalls, surveys, online consultation hubs and mail-outs. Feedback from surveys indicates that most respondents preferred their council to stand alone. However, we observe the council did not provide a balanced assessment of the proposed FFTF reforms in the information provided to residents. |
| Water and/or sewer | The council does not have a water/sewer business. |
| Submissions | <p>We received 520 submissions in relation to the City of Sydney. This is the largest number of submissions for any council region and approximately a third of all submissions received. All submissions (except 8) opposed a merger of the City of Sydney with any other council. The main reasons provided stated the council is performing well; the Global City Council would be too large and would not be able to meet or adequately represent the needs of residents. We also received three late submissions and one early submission.</p> <p>In a meeting the council made the following points:</p> <ul style="list-style-type: none"> • A merger with residentially focused councils could reduce its strategic capacity in the short-term and distract it from the implementation of key infrastructure projects such as the Green Square development and the Sydney Light Rail Project. • As most of the council’s rating income comes from business rates and contributions, businesses in the CBD will likely subsidise the entire merged local government area under the Global City Council model, rather than their rates and contributions funding urban renewal and other services to the CBD. • Other councils did not agree to merge with it in part, due to the council’s legislated business voting rights. From September 2016, corporations will be entitled to two votes in the local council elections in the City of Sydney, which differs from other local council areas. The council noted in discussions with other councils that none of the surrounding councils wanted to voluntarily merge with City of Sydney. • The long term effectiveness of a Global City Council would be limited as it does not have responsibility for key infrastructure. Whilst the ILGRP said a Global City Council would incorporate key Sydney icons, City of Sydney said this made no difference because it did not currently control any of them, for example, the Sydney Opera House, Circular Quay, Darling Harbour, Barangaroo, Port Botany, or inner-city train stations. The council noted this differs from councils the ILGRP indicated the Global City Council model could be based on such as City of Brisbane, which owns Brisbane Transport and Brisbane Water, and Auckland Council, which manages water, transport and port facilities. |