

29 March 2016

Mr Bob Sendt  
Chairperson  
Local Government Boundaries Commission  
GPO Box 5341  
SYDNEY NSW 2001

Dear Mr Sendt

On 6 January 2016, by instrument of delegation, the Acting Chief Executive of the NSW Office of Local Government, Mr Tim Hurst delegated his examination and reporting functions of the proposal to amalgamate the **Ashfield, Leichhardt and Marrickville Local Government Areas** to me.

In order to prepare a report for your consideration and in accordance with section 263 of the NSW Local Government Act 1993, my examination included holding a public inquiry under subsection 263(2) and consideration of the factors listed under subsection 263(3).

Please find attached the report which sets out my examination of and recommendations for the proposal to amalgamate the Ashfield, Leichhardt and Marrickville Local Government Areas.

Yours sincerely



Ms. Cheryl Thomas  
Delegate

Encl.

cc. The Hon. Paul Toole MP, Minister for Local Government



**Examination of a Proposal for the  
creation of a new local government  
area**

**incorporating**

**Ashfield Council**

**Leichhardt Municipal Council**

**Marrickville Council**

*March 2016*

*Cheryl Thomas – Delegate appointed*

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# Introduction

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## Context

In January 2016, the NSW Minister for Local Government, the Hon. Paul Toole MP (the Minister) put forward a proposal under section 218E(1) of the *Local Government Act 1993* for the merger of the Ashfield, Leichhardt Municipal and Marrickville Local Government Areas (LGAs). This proposal was put forward as part of broader Local Government reforms by the NSW Government, including merger proposals across metropolitan and regional NSW.

The Minister referred these proposals to the Acting Chief Executive of the Office of Local Government. On 6 January 2016, the Acting Chief Executive of the Office of Local Government delegated to me the function of examining and reporting on the proposal to amalgamate the local government areas of Ashfield, Leichhardt Municipal and Marrickville. A copy of the instrument of Delegation is shown in appendix A.

I have prepared this report as the Delegate. It contains conclusions relating to each factor it is required to have regard to under section 263(3) of the Act.

## The Process

On 7 January 2016, I wrote to all affected councils advising of the proposal and its examination with regard to the factors contained in section 263(3) of the Act. The letter also invited council representatives to:

- ▶ Meet with the Delegate to discuss the proposal,
- ▶ Make a written submission on the proposal, and
- ▶ Speak at a public inquiry to be held as part of the proposal examination process.

Representatives from each affected council met with me at separate meetings throughout January 2016.

As required by section 263(2B) of the Act, I placed public notices in local and state newspapers including The Sydney Morning Herald, The Daily Telegraph and the Inner West Courier on 12 January 2016. A notice was also on the Council Boundary Review website. The public notices announced the examination into the proposal had commenced and invited submissions from members of the public up to the closing date for submissions (5.00pm EST, Sunday 28 February 2016).

The public notices contained public inquiry time and dates and members of the public were invited to register to attend and speak via the Council Boundary Review website or a toll free phone line.

A letter was sent to councils affected by the proposal encouraging council representatives to present their views at the public inquiries. I also requested and received councils' assistance in promoting the public notice through their LGA.

The proposal document, a detailed map, public notices and inquiry information were made available on the Council Boundary Review website. The website also included a portal for collecting submissions for consideration during the proposal examination period. I also accepted and considered submissions received through post and email.

In accordance with sections 218(F) and 263(2A) of the Act, two public inquiries, open to the public were held on 2 February 2016 in Ashfield. The inquiries had approximately 283 attendees and 90 speakers addressed me as Delegate.

On completion of my examination, my report will be provided to the Minister and to the Boundaries Commission. The Boundaries Commission will review my report and provide its comments to the Minister. Once the Minister has received my report with comments from the Boundaries Commission, he will make a decision on whether or not to recommend the implementation of the proposal to the Governor of NSW.

## **The Proposal**<sup>1</sup>

The proposed new council will comprise approximately 35 sq. kms and be responsible for infrastructure and service delivery to around 186,000 residents across Ashfield, Leichhardt and Marrickville LGAs.

The NSW Government has announced funding of up to \$10M to merged councils, to meet transition costs, and a further \$15M to invest in community infrastructure from the Stronger Communities Fund.<sup>2</sup>

The creation of a new council brings together communities with key similarities in occupations, lifestyles and socio-economic profiles as residents of the Inner West region of Sydney.

The new council will be responsible for infrastructure and service delivery to more than 223,000 residents by 2031. This reflects the expected population growth across the area of 1% per annum.

The proposed merger aligns with the approach of the NSW Government's Sydney Metropolitan Plan (known as A Plan for Growing Sydney). The Plan also identifies the importance of adopting a coordinated approach to managing the expected population growth across the Ashfield, Leichhardt and Marrickville area and the need to plan for, and respond to, the changing service and infrastructure needs of these communities. The NSW Government has identified a number of priorities that are directly relevant to the proposed new council, for example:

- ▶ delivering the Bays Precinct urban renewal program;

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<sup>1</sup> NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016

<sup>2</sup> NSW Premier's Media Release, STRONGER COUNCILS FOR SYDNEY AND REGIONAL NSW, 18 December 2015

- ▶ delivering WestConnex, linking Sydney's west and south-west with the CBD, Sydney Airport and Port Botany;
- ▶ planning for major urban renewal in communities along the Parramatta Road corridor;
- ▶ planning for urban renewal along the length of the Inner West Light Rail extension; and
- ▶ protecting the natural environment, the visual amenity of the harbour foreshore, and the health of waterways such as Sydney Harbour and the Cooks River.

A new council with appropriate scale and capacity will be better able to partner with the NSW Government on the implementation of these urban priorities.

The establishment of a new council will also provide an opportunity to generate savings and efficiencies and reduce the current duplication of back-office functions, senior executive positions and potentially the many layers of current regulations. Any savings generated by a merger could be redirected to improving local community infrastructure, lowering residential rates and/or enhancing service delivery.

In addition, while IPART found each of the three councils satisfy financial performance criteria, it also found that each council's ability to effectively advocate for community priorities is affected by a lack of scale and capacity. A merged council will improve this, with an enhanced scale and capacity to better plan and coordinate investment in critical infrastructure and services. This should also put the new council in a better position to advocate to the NSW and Australian governments for the regional investments that will be needed for the future.

### *Areas included in the Proposal*

The areas included in the proposal are described in more detail below:

#### ***Ashfield Council***

The LGA of Ashfield is 8 sq. kms in size and has a population of approximately 44,498, with a population density of 53.7 persons per hectare.

Situated 8 kms west-southwest of the central business district of Sydney, Ashfield is crossed by the transport arteries of Parramatta and Liverpool Roads. It is served by the Inner West Light Rail and is located on the Inner West & South Line of the Sydney Trains network.

The LGA includes the suburbs of Ashfield, Summer Hill, Haberfield, the eastern part of Croydon and the fringes of Croydon Park, Hurlstone Park and Ashbury. Ashfield Council borders Canada Bay, Leichhardt, Marrickville, Canterbury and Burwood Councils.

#### ***Leichhardt Municipal Council***

The LGA of Leichhardt is 11 sq. kms in size and has a population of approximately 58,136 people, with a population density 55.11 of per hectare.



Situated about 5 kms west-southwest of the central business district of Sydney, Leichhardt is crossed by the transport arteries of Victoria Road and the City West Link and its border runs along Parramatta Road. It is also served by the Inner West Light Rail.

The LGA includes the suburbs of Leichhardt, Lilyfield, Balmain (including Balmain East), Birchgrove, Rozelle and Annandale. Leichhardt is bounded by Canada Bay, City of Sydney, Marrickville and Ashfield.

### ***Marrickville Council***

The LGA of Marrickville is 17 sq. kms in size and has a population of approximately 83,356, with a population density of 50.35 persons per hectare.

Situated about 7 kms southwest of the central business district of Sydney, Marrickville is bounded by Parramatta Road, King Street the Princes Highway and the Cooks River. It is served by the Inner West and South Line, the Bankstown Line and the Eastern Suburbs & Illawarra Line. Marrickville encompasses part of Sydney Airport.

The LGA includes the suburbs of Camperdown, Dulwich Hill, Enmore, Lewisham, Marrickville, Newtown (part), Petersham, St Peters, Stanmore, Sydenham and Tempe. The area is bounded by Leichhardt to the north, the City of Sydney to the east and north-east, the City of Botany Bay to the south-east, Rockdale to the south, Canterbury to the west, and Ashfield to the north-west.

## **Factors Considered**

As Delegate, I was required to have regard to the factors in section 263(3) of the Act, namely:

- ▶ the financial advantages or disadvantages of the proposal to the residents and ratepayers of the areas concerned;
- ▶ the community of interest and geographic cohesion in the existing areas and in any proposed new area;
- ▶ the existing historical and traditional values in the existing areas and the impact of change on them;
- ▶ the attitude of the residents and ratepayers of the areas concerned;
- ▶ the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as considered relevant in relation to the past and future patterns of elected representation for that area;
- ▶ the impact of the proposal on the ability of the council to provide adequate, equitable and appropriate services and facilities;
- ▶ the impact of the proposal on the employment of the staff by the council;
- ▶ the impact of the proposal on any rural communities in the resulting area;
- ▶ the desirability (or otherwise) of dividing the resulting area or areas into wards;
- ▶ the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented; and

- ▶ any other factors relevant to the provision of efficient and effective local government in the existing and proposed new areas.

## Submissions

All submissions received were collated and analysed to identify which factors in section 263(3) of the Act had been addressed. I have reviewed and considered all relevant information received regarding this proposal. Written submissions and transcripts of the verbal submissions from public inquiries will be made public in due course.

During the public consultation period, 755 submissions were received via the Council Boundary Review website, post, email and verbally. Of these, 24 were duplicates or not relevant to this proposal. Of the remaining 731, 43 people provided both a written and a verbal submission.

The number of submissions received (including duplicates) represents less than 0.04% of the population of the areas.

LGA	POPULATION (2014)	% of PROPOSED MERGER POPULATION BASE	SUBMISSIONS	SUBMISSIONS AS % OF CURRENT LGA POPULATION (2014)
ASHFIELD COUNCIL	44,498	23.9%	115	0.3%
LEICHHARDT MUNICIPAL COUNCIL	58,136	31.3%	320	0.6%
MARRICKVILLE COUNCIL	83,356	44.8%	233	0.3%
OTHER (LGA outside proposal/other)	-	-	63	-

## Acknowledgement

I would like to thank all those who assisted and contributed to inform this examination. In particular, I would like to thank:

- ▶ Councillors and staff from Ashfield, Leichhardt and Marrickville councils for their professionalism and their timely and responsive approach to informing my examination.
- ▶ Staff from the Department of Premier and Cabinet for assisting in arranging travel and logistics.
- ▶ Staff from Services NSW who assisted at public hearings.
- ▶ Bryce O'Neill, Executive Officer, Department of Premier and Cabinet who at my direction assisted in all aspects of my examination.

## 1 FINANCIAL ADVANTAGES AND DISADVANTAGES

Section 263(3)(a) of the Act requires the Delegate to have regard to “the financial advantages and disadvantages (including the economies and diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned”.

The past, existing and forecast financial position of Ashfield, Leichhardt and Marrickville councils has been examined extensively in recent years. The financial sustainability of councils was assessed by the NSW Treasury Corporation (TCorp) and reported on in 2013, followed by an analysis of councils’ financial fitness in 2015 by the NSW Independent Pricing and Regulatory Tribunal (IPART). Both these examinations found Ashfield, Leichhardt and Marrickville councils to be financially sound and generally well managed in regards to annual operating budgets and capital expenditure.

I have been tasked with considering the financial advantages and disadvantages to the residents and ratepayers of merging Ashfield, Leichhardt and Marrickville councils. These councils have been found to be in a sound financial position; at question is whether the combined finances of these councils would deliver a stronger financial future and more advantages than disadvantages to the residents and ratepayers, than the continued operation of separate councils.

### 1.1 Council and Community Comments

#### Ashfield Council

Ashfield Council cites the following financial concerns regarding a merger with Leichhardt and Marrickville councils:<sup>3</sup>

- ▶ There are no financial advantages from the proposed merger in the short term – only costs to be borne by the communities.
- ▶ Medium and long term financial benefits are significantly overstated and subject to the decisions of a future council.
- ▶ The merger proposal is based on possibilities, rather than on probable or evidence based outcomes; assumptions underpinning financial modelling are either unknown, oversimplified or erroneous (e.g. redundancy payments and ICT costs).
- ▶ Any downward pressure put on rates as a result of the merger would be insignificant.
- ▶ Infrastructure backlog has been overstated as \$65M, as of June 2015 the combined infrastructure backlog of the councils was \$38.2M.
- ▶ Freezing existing rate paths for four years is an aggressive form of rate pegging, and all three councils have already determined not to change their current rate paths for the next decade.
- ▶ A 61% improvement in annual operating costs relies on job losses, overly ambitious savings targets and doesn’t include new accommodation and relocation costs.

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<sup>3</sup> Ashfield Council, Submission to Boundary Council Review, February 2016, p8-10

### Leichhardt Municipality Council

Leichhardt Municipal Council cites the following financial concerns regarding a merger with Ashfield and Marrickville councils: <sup>4</sup>

- ▶ Financial disadvantages significantly outweigh the advantages; specifically, some Leichhardt residents will face higher rates (due to high land values) and reduced services and service standards.
- ▶ Leichhardt meets all the financial sustainability benchmarks earlier than the merged council.
- ▶ The advantages of council mergers are overstated and estimated savings have never materialised.
- ▶ KMPG's analysis is based on erroneous and oversimplified assumptions.

### Marrickville Council

Marrickville Council cites the following financial concerns regarding a merger with Ashfield and Leichhardt councils: <sup>5</sup>

- ▶ The costs of the merger are not clearly enunciated and there is absolutely no mention of risks associated with the merger.
- ▶ Merger savings are largely predicated on job losses, more than 200 jobs within the first five years.
- ▶ Redundancies payments have been grossly underestimated, not calculated on the NSW Local Government State Award.
- ▶ Material and contract savings forecast at 3% are not justified and contradict KPMG forecasts of 1.5% savings for Southern Sydney Region of Councils (SSROC).
- ▶ It seems likely that residential and business rates will rise for Marrickville once the four year moratorium on rate increase ceases.

Marrickville Council notes that it has a fully funded long term financial plan that meets all the financial benchmarks by 2019/20 and has no plan for any future Special Rate Variation (SRV).

### Community Submissions

Of the 731 total submissions received, 416 submissions (56.9%) related to "the financial advantages and disadvantages (including the economies and diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned."

Local Government Area	No. of submissions addressing financial advantages and disadvantages factor	Percentage (of LGAs total submissions)
Ashfield	54 (of 115 total submissions)	47%
Leichhardt	213 (of 320 total submissions)	66.6%
Marrickville	112 (of 233 total submissions)	48.1%
Other (LGA outside proposal/other)	37 (of 63 total submissions)	58.7%

<sup>4</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p20

<sup>5</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016, p5 and 11-12

Community submissions raised a number of matters, including:

- ▶ Uncertainty about why the merger proposal has been put forward when each of the councils have individually met IPART's financial benchmarks.
- ▶ Concerns that an amalgamated entity would result in increased rates.
- ▶ Estimated procurement savings ignores the savings already made through existing shared procurement arrangements with SSROC.
- ▶ Financial benefits to communities from amalgamations are extremely small.
- ▶ State Government has underestimated the cost of amalgamation.
- ▶ ICT costs are limited to "immediate ICT requirements" based on a "veneer solution", resulting in a significant underestimation of the full ICT costs associated with the merger.

Respondents also made submissions suggesting how positive financial outcomes could be realised:

- ▶ A merged entity may result in a reduction of the current duplication of back office functions and senior executive positions.
- ▶ A merger would enhance the scale and capacity of the new council to plan and co-ordinate investment in infrastructure and services.
- ▶ Efficiencies can be realised; e.g. Marrickville Council's fleet of garbage trucks work approximately six hours a day, an under use of expensive equipment. Twelve months ago Ashfield Council's rubbish removal contractor had an issue with their vehicles, Marrickville council's trucks picked up Ashfield's residents rubbish without affecting normal rate payer services in Marrickville.
- ▶ There is an increased ability for a new super council to raise higher levels of capital to provide for infrastructure projects.
- ▶ The economies of scale offered by the amalgamation will provide worthwhile commercial opportunities to the new entity particularly in the areas of waste management and social services.
- ▶ Implementing the amalgamation will incur costs that will reduce and eventually lead to savings.

## **1.2 Research and Data**

### *1.21 Financial Sustainability Status of Councils*

The following reports and financial and economic modelling have assisted to inform my knowledge of councils' standalone finances and consideration of the financial advantages and disadvantages of the merger proposal:

- ▶ NSW Treasury Corp Financial Sustainability of the New South Wales Local Government Sector: Findings, Recommendations and Analysis, April 2013:
  - Ashfield Council: Financial Assessment, Sustainability and Benchmarking Report, NSW TCorp, 5 March 2013.
  - Leichhardt Municipal Council: Financial Assessment and Benchmarking Report, NSW TCorp, 18 October 2012.

- Marrickville Council: Financial Assessment and Benchmarking Report, NSW TCorp, 12 March 2013.
- ▶ Independent Pricing and Regulatory Tribunal, Assessment of Councils Fit for the Future Proposals: Local Government, Final Report, October 2015.
  - Ernst and Young, Review of Business Case Estimates of Merger Net Benefits for Sydney Metropolitan Councils, October 2015.
- ▶ NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016.
  - KPMG, Outline of Financial Modelling Assumptions for Local Government Merger Proposals, Technical Paper, 19 January 2016.
- ▶ Morrison and Low, Merger Business Case comparison, Marrickville Council, November 2015.

### NSW Treasury Corp Assessment<sup>6</sup>

In April 2013, NSW Treasury Corporation (TCorp) released its report assessing the financial sustainability of the 152 councils in NSW, examining the:

- ▶ financial capacity – council’s historical results from the 2009 to 2012 financial years,
- ▶ long term sustainability - council’s Long Term Financial Plan (LTFP) and the degree to which council has completed its Asset Management Plan (AMP) and integrated the requirements of the AMP into its LTFP, and
- ▶ financial performance – comparison to a range of similar councils when measured against the established benchmarks.

TCorp’s analysis focused on whether individual councils had reasonable capacity to take on additional borrowings and a council’s future sustainability, within prudent risk parameters and the limits of its financial projections. The analysis was prepared based on information provided to TCorp by councils and other publicly available information such as information published on the IPART website.

#### Summary of TCorp Financial Sustainability Ratings (FSR)

Council	FSR	Outlook
Ashfield	Sound	Neutral
Leichhardt	Sound	Neutral
Marrickville	Moderate	Neutral

**Ashfield Council** - TCorp found Ashfield was in a sound *Sustainability* position, noting:<sup>7</sup>

- ▶ Financial capacity: Ashfield was well managed between 2009-2012
  - Total revenue, excluding capital grants and contributions, rose 17.8% since 2009 to \$32.1M in 2012 and expenses grew 17.2% since 2009 to \$33.4M in 2012.
  - Operating Results - Ashfield posted net operating deficits (excluding capital grants and contributions) in all but 2010.
  - Capital Expenditure – existing asset base should be maintained at reasonable levels.

<sup>6</sup> NSW Treasury Corp Financial Sustainability of the New South Wales Local Government Sector: Findings, Recommendations, Analysis, April 2013

<sup>7</sup> Ashfield Council: Financial Assessment, Sustainability and Benchmarking Report, NSW TCorp, 5 March 2013

- Specific Risks to Ashfield:
  - \* Ageing population - will place pressure on existing infrastructure with more residents relying on fewer for support and increased demand for aged care and community health facilities.
  - \* Expiration of SRV – an SRV raising funds for infrastructure maintenance was set to cease in 2014 and would result in reduced rates revenue.
  - \* Materials and contracts expenses - make up a significant proportion of Ashfield’s overall expense.
  
- ▶ Long term sustainability: neutral
  - Operating Results - the Operating Ratio shows worsening deficit positions forecast, (excluding capital grants and contributions) in all 10 years.
  - Financial Management Indicators - the Cash Expense Ratio falls over the decade, to below benchmark in 2018.
  - Fiscal Flexibility Ratios – Ashfield’s Own Source Operating Revenue Ratio is above benchmark for the 10 year forecast.
  - Debt Service Coverage Ratio (DSCR) for General Fund - above the benchmark in nine of the 10 years indicating financial capacity to manage existing debt.
  - Interest Cover Ratio for General Fund - above benchmark in each forecast year, increasing over the period as debt is paid down.
  - Capital Expenditure - falls below benchmark in 2012 and remains below for the entire forecast period.
  
- ▶ Benchmarking and Comparisons with Other Councils – Ashfield’s performance compared to the performance of its peers in the same DLG Group (DLG Group 2):
  - Financial Flexibility – above the group average.
  - Liquidity – in a deteriorating liquidity position compared to the average.
  - Debt Servicing - forecast to remain acceptable over the medium term.
  - Asset Renewal and Capital Works – Infrastructure Backlog was below the group’s average and benchmark levels in the past, however, no roads backlog was reported.
  - Asset Maintenance Ratio – outperformed the group over the review period indicating sufficient spending to maintain assets.
  - Building and Infrastructure Asset Renewal Ratio - generally tracked benchmark levels.
  - Council’s Capital Expenditure Ratio - generally above benchmark and outperformed the group average although forecast to decline in the medium term.

**Leichhardt Municipality Council** - TCorp found Leichhardt was in a sound *Sustainability* position, noting:<sup>8</sup>

- ▶ Financial capacity: Leichhardt was well managed between 2009-2012
  - Own Sourced Operating Revenue Ratio average of 75.1% was above the benchmark of 60% over the period and total expenses grew over the period due to large increases in employee, material and contract, and depreciation and amortisation categories.

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<sup>8</sup> Leichhardt Municipal Council: Financial Assessment and Benchmarking Report, NSW TCorp, 18 October 2012

- Operating Results – Leichhardt posted net operating surpluses (excluding capital grants and contributions), with results trending higher.
- Capital Expenditure - \$11.3M backlog reported in 2011, mainly related to road assets and buildings (57% and 33% respectively).
- Infrastructure Backlog Ratio - marginally above the benchmark over the period, backlog value has decreased, and the value of infrastructure assets has increased.
- Capital Expenditure Ratio - above the benchmark over the period though trending lower.
- Specific Risks to Leichhardt:
  - \* Change in demographics – Leichhardt has a higher proportion of people aged 25 to 39; children born from this group could generate increased demand on recreational facilities.
  - \* Increasing service demand - residents have a greater demand for assets such as bike facilities and this has been included in the current LTFP.

▶ Long term sustainability: neutral

- Operating Results – trend is a marginal deterioration due to expenses such as employee costs and other expenses growth (electricity and fire levy increases) outstripping revenue growth.
- Financial Management Indicators - Cash Expense Ratio and Unrestricted Current Ratio forecast to be strong, indicating a sound liquidity position.
- Fiscal Flexibility Ratios - Own Source Operating Revenue Ratio is well above benchmark.
- DSCR for General Fund - very strong and increases significantly towards the end of the period as debt repayments reduce.
- Interest Cover Ratio for General Fund - very strong, increasing significantly towards the end of the period as borrowing costs reduce.
- Capital Expenditure - at or above benchmark, indicating sufficient infrastructure asset investments forecast.

▶ Benchmarking and Comparisons with Other Councils – Leichhardt’s performance, compared to the performance of its peers in the same DLG Group (DLG Group 2):

- Financial Flexibility – exceeds the group average.
- Liquidity – sufficient and is forecast to improve marginally.
- Debt Servicing – best DSCR and Interest Cover Ratio in the group and is forecasting to maintain high levels in the medium term.
- Asset Renewal and Capital Works – capital expenditure was above benchmark and its level of infrastructure backlog is sound, near benchmark and trending downwards towards the benchmark. Asset renewal performance was below benchmark but slightly above its peers by the end of the period.

**Marrickville Council** - TCorp found Marrickville was in a sound *Sustainability* position, noting:<sup>9</sup>

▶ Financial capacity: Marrickville was well managed between 2009-2012

- Own Sourced Operating Revenue Ratio – in 2011 approx. 70% of revenue is derived from own sourced revenue (annual charges, and user charges and fees) and can be relied on an ongoing basis for financial flexibility.

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<sup>9</sup> Marrickville Council: Financial Assessment and Benchmarking Report, NSW TCorp, 12 March 2013



- Operating Result - reasonably stable and was \$9.6M in 2011, operating expenses are generally well managed, particularly employee costs.
- Capital Expenditure - \$32.M backlog reported in 2011 (84% related to road assets; being addressed by Footpath and Road Renewal Program), backlog trend is downward and council has spent less than required on maintenance over past three years.
- Specific Risks to Marrickville:
  - \* Population growth and ageing – increased population will place pressure on existing infrastructure and services and increase demand for new infrastructure and services. By 2030, 22% of Marrickville’s population will be aged over 65 (compared to 10.4% in 2006), generating demand for home and community care programs.
  - \* Revenue - parking revenue and fines generate a sizeable share of Council’s revenue (\$3.3M in 2011) and is subject to NSW Government pricing policy.
- ▶ Long term sustainability: neutral
  - Operating Ratio – projected to be above the benchmark from 2014 onwards.
  - Liquidity - sufficient to service all short term liabilities and currently scheduled capital expenditure and related long term liabilities.
  - Fiscal Flexibility Ratio - own source revenue forecast to be maintained at levels around 75%.
  - DSCR - above benchmark from 2014 onwards.
  - Interest Cover Ratio - well above the benchmark over forecast.
- ▶ Benchmarking and Comparisons with Other Councils – Marrickville’s performance, compared to the performance of its peers in the same DLG Group (DLG Group 3):
  - Financial Flexibility – Operating Ratio is below the group average.
  - Own Source Operating Revenue Ratio – above average in three of the past four years.
  - DSCR and Interest Cover Ratio – below the group average and above the benchmark, forecast credit ratios are expected to remain around the benchmarks in the medium term.
  - Liquidity – sound but expected to decline in the medium term.
  - Infrastructure Backlog Ratio - lower than the group average. The Building and Infrastructure Asset Renewal Ratio and Asset Maintenance Ratio have been weaker than the benchmarks and weaker than or around the group averages.
  - Capital Expenditure Ratio - in line with the group average and benchmark.

### *NSW Treasury Corp’s Findings*

TCorp found Ashfield, Leichhardt and Marrickville councils were well managed over the period 2009 to 2012, and councils’ Long Term Financial Plans showed continued financial sustainability, although some deterioration in Operating Results was forecast.

Ashfield, Leichhardt and Marrickville councils were assessed by TCorp to perform well over all relative to their peers, with Leichhardt in particular performing best in some categories.

TCorp noted potential financial risks to councils arising from changing demographics, which could generate demand for new or expanded services or facilities, or result in ratepayer income growth slowing over the longer term.

**IPART 'Fit for the Future' Analysis of Councils** <sup>10</sup>

In October 2015, the Independent Pricing and Regulatory Tribunal (IPART) released its final report *Assessment of Councils Fit for the Future Proposals* which considered standalone proposals by Ashfield, Leichhardt and Marrickville councils. All three councils were found to satisfy IPART's financial criteria (able to meet performance benchmarks within five years, i.e. by 2019/20) based on long term financial forecasts provided by councils.

IPART's financial criteria included:

- ▶ **Sustainability** – whether a council will generate sufficient funds over the long term to provide an agreed level and scope of services and infrastructure for communities. Measures included:
  - Operating Performance Ratio.
  - Own Source Revenue Ratio.
  - Building and Infrastructure Asset Renewal Ratio.
  
- ▶ **Effective infrastructure and service management** – a council's ability to maximise return on resources and minimise unnecessary burden on the community and business, while working to leverage economies of scale and meet community needs. Measures included:
  - Infrastructure Backlog Ratio.
  - Asset Maintenance Ratio.
  - Debt Service Ratio.
  
- ▶ **Efficiency** – a council's ability to provide services and deliver infrastructure in a manner that achieves value for money for current and future ratepayers. Measure included:
  - Real Operating Expenditure.

**Summary of IPART Financial Criteria Findings**

	Ashfield	Leichhardt	Marrickville
<i>Indicator</i>			
<b>Financial criteria</b>	Satisfies	Satisfies	Satisfies
▶ <b>Sustainability</b>	Satisfies	Satisfies	Satisfies
▶ <b>Infrastructure &amp; service management</b>	Satisfies	Satisfies	Satisfies
▶ <b>Efficiency</b>	Does not satisfy	Satisfies	Satisfies

**Ashfield Council** - IPART found Ashfield was forecast to meet the benchmarks for:

- ▶ Operating performance ratio by 2019/20.
- ▶ Own source revenue ratio by 2019/20.
- ▶ Building and infrastructure renewal ratio by 2019/20.
- ▶ Asset maintenance ratio by 2019/20.
- ▶ Debt service ratio by 2019/20.
- ▶ Infrastructure backlog will be 3.6% in 2019/20, close to the benchmark.

IPART found Ashfield did not meet efficiency criterion based on an increase in real operating expenditure per capita over time to 2019/20.

<sup>10</sup> Independent Pricing and Regulatory Tribunal, Assessment of Councils Fit for the Future Proposals: Local Government, Final Report, October 2015

**Leichhardt Municipality Council** - IPART found Leichhardt was forecast to meet the benchmarks for:

- ▶ Operating performance ratio by 2019/20.
- ▶ Own source revenue ratio by 2019/20.
- ▶ Building and infrastructure renewal ratio by 2019/20.
- ▶ Asset maintenance ratio by 2019/20.
- ▶ Debt service ratio by 2019/20.
- ▶ Infrastructure backlog ratio by 2019/20.

Efficiency criterion met based on a decline in real operating expenditure per capita over the period to 2019/20.

**Marrickville Council** - IPART found Marrickville was forecast to meet benchmarks for:

- ▶ Operating performance ratio by 2019/20.
- ▶ Own source revenue ratio by 2019/20.
- ▶ Building and infrastructure renewal ratio by 2019/20.
- ▶ Asset maintenance ratio by 2019/20.
- ▶ Debt service ratio by 2019/20.
- ▶ Infrastructure backlog ratio by 2019/20.

Efficiency criterion met based on a decline in real operating expenditure per capita over the period to 2019/20.

### *IPART's Findings*

IPART found Ashfield, Leichhardt and Marrickville councils met the financial criteria overall, but concluded that these councils did not demonstrate that their proposals to stand-alone would be as good as or better than a merger comprising Ashfield, Burwood, Canada Bay, Leichhardt, Marrickville and Strathfield.

IPART found that Ashfield, Leichhardt and Marrickville councils were 'not fit for the future' based on its finding that these three councils did not individually meet the scale and capacity criterion.

### *1.22 Financial Advantages and Disadvantages of a Council Merger*

#### *Review of Business Case Estimates of Merger Net Benefits for Sydney Metropolitan Councils, October 2015*<sup>11</sup>

As part of its examination, IPART commissioned Ernst and Young (EY) to model and estimate the long term costs and benefits of a new "Inner West council" comprising Ashfield, Burwood, Canada Bay, Leichhardt, Marrickville and Strathfield. EY used 2013/14 data from annual reports and financial statements.

In October 2015, EY reported potential savings in the range \$105M- \$158M (using a 10% discount rate) could be achieved over 20 years if these councils were merged.

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<sup>11</sup> Ernst and Young, Review of Business Case Estimates of Merger Net Benefits for Sydney Metropolitan Councils, October 2015

**Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016**

KPMG was tasked by the Minister for Local Government to model and estimate the long term costs and benefits of a new council comprising Ashfield, Leichhardt and Marrickville councils. KPMG based their calculations on Councils' long term financial plans from 2013/14.

In January 2016, KPMG reported that the merger of these three councils could generate net financial savings of \$88M (using a 9.5% discount rate) over a 20 year period.<sup>12</sup>

Gross savings over 20 years were identified by KPMG, arising from:

- ▶ \$84M - removal of duplicate back office and administrative functions and streamlining senior management roles<sup>13</sup> (modelled on a 7.4% reduction in back office staff, the retention of one General Manager and 4 Directors)
- ▶ \$11M<sup>14</sup> – efficiencies generated through increased purchasing power of materials and contracts (modelled on efficiencies of 3% over councils LTFP projections on a scaled basis and only based on 80% of items, starting at 1% in year one and two, increasing to 2% in year three and 3% in year 4<sup>15</sup>)
- ▶ \$4M<sup>16</sup> – reduction in the number of elected officials, resulting in reduced expenditure on councillor fees (modelled on the removal of 24 councillors and increased by 2.3% wage growth over the period, with savings offset by increased remuneration of councillors to \$30,000p.a.<sup>17</sup>)

If the above savings are calculated as annual figures (by dividing the amounts by 20 years), a rough approximation is:

- ▶ \$4.2M in staff savings annually.
- ▶ \$550,000 in material and contracts savings annually.
- ▶ \$200,000 in savings from fewer elected officials annually.

KPMG did not calculate one off savings attributable to the merger, such as any disposal of surplus assets.

Transition costs were identified by KPMG arising from the merger including:

- ▶ \$4.1M in redundancy costs for staff and senior staff reductions (16 weeks redundancies payments for non-senior staff, 38 weeks redundancy packages for General Managers and Directors<sup>18</sup>).
- ▶ \$3.6M<sup>19</sup> to implement a short term 'vener' IT solution to enable existing IT systems to operate in the background until the new council invests in an integrated system (\$3.35M plus 30% contingency component).

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<sup>12</sup> NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016

<sup>13</sup> Ibid

<sup>14</sup> NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016

<sup>15</sup> KPMG, Outline of Financial Modelling Assumptions for Local Government Merger Proposals, Technical Paper, 19 January 2016

<sup>16</sup> NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016

<sup>17</sup> KPMG, Outline of Financial Modelling Assumptions for Local Government Merger Proposals, Technical Paper, 19 January 2016

<sup>18</sup> Ibid

<sup>19</sup> Ibid

- ▶ \$3.9M<sup>20</sup> for office relocation, staff training and other merger related costs (2% of merged entity operating expenditure in first year of operation).

*Updated Inner West Merger Business Case Model, Morrison and Low, November 2015*<sup>21</sup>

Morrison and Low was commissioned by Ashfield, Leichhardt and Marrickville councils to undertake a high level business case to identify the benefits and costs of a potential merger of these three councils. The analysis was prepared based on publicly available information and augmented by information provided by Marrickville and Leichhardt councils. All three councils have cited this research extensively in their written and verbal submissions and it has been referred to in a large number of submissions received from the public.

In November 2015, Morrison and Low reported that the merger of Ashfield, Leichhardt and Marrickville councils could result in:

- ▶ \$75M in net savings over 10 years (using a 7% discount rate).
- ▶ All financial and asset related benchmarks identified by IPART would be met by 2020.

Almost \$20M in annual savings was identified by Morrison and Low including:

- ▶ \$440,000 from a reduction in the number of elected officials.
- ▶ \$11.7M from staff reductions comprising:
  - \$2.5M from fewer Executive Management positions (removal of two General Managers and three Directors);
  - \$2.8M from the rationalisation of duplicate back office services (finance, HR, communications);
  - \$4.1M in rationalising services provided by senior, non-executive staff, and
  - \$2.3M from staff turnover via natural attrition (9% industry average, 4.5% rate applied).
- ▶ \$4M ICT Benefits.
- ▶ \$800,000-\$1.8M material and contract savings through consolidated buying power (savings modelled at 1% rising to 2% in the short term and over 3% in the medium to long term).
- ▶ \$2.6M from outsourcing waste collection and recycling services (Leichhardt and Marrickville deliver via in-house services, Ashfield already outsources; savings modelled on two stages; first outsourcing all services, and second moving to a single contract).

Over \$13.5M in one off savings were identified by Morrison and Low, including:

- ▶ \$11M from rationalising councils' property portfolio and disposing of excess properties (modelled on council disposing of 1% of its \$880M portfolio in the short term).
- ▶ \$2.6M from a reduction in plant and equipment, including fleet (modelled on 5% reduction).

Morrison and Low's report highlighted potential transition costs which could negatively impact the financial position of a merged council, and suggested that the largest financial risk for a merged entity arises from decisions of a future, as yet unelected, council.

\$40.4M in one off transition costs were identified by Morrison and Low arising from the merger including:

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<sup>20</sup> Ibid

<sup>21</sup> Morrison and Low, Merger Business Case comparison, Marrickville Council, November 2015

- ▶ \$4.6M for a transition body to oversee the merging of councils (based on amalgamations in Auckland and Wellington).
- ▶ \$35M to rationalise and integrate council IT systems (modelled on Wellington).
- ▶ \$800,000 for new branding, including logo and signage.

Morrison and Low noted that the merger of the three councils is the sum of its parts. With all councils financially sound, the merger of these councils should result in a financially sound new council.

### Comparing financial modelling and business case analysis

The approach used to assess the financial impact of a merger has been calculated using different methods; a top down modelling approach by KPMG and a bottom up business case approach by Morrison and Low. In addition, the analysis is underpinned by an array of different assumptions, including different timeframes (20 years vs 10 years), different financial data (2013/14 vs 2014/15), and different discount rates (9.5% vs 7%).

The discount rate used by KPMG (9.5%) is more conservative (less generous) than the discount rate used by Morrison and Low, while the time period used by KPMG (20 years) is more generous than the time period used by Morrison and Low (10 years).

To enable a better comparison, I (as Delegate) requested KPMG to do a sensitivity test for the net financial impact of the merger proposal, remodelling their findings using Morrison and Low's time period and discount rate (10 years and 7%). KPMG reported that with these adjusted settings a merger of Ashfield, Leichhardt and Marrickville would deliver \$51M in net savings (down from the \$88M forecast over a 20 year period, using a 9.5% discount rate).

#### Financial Benefit (excluding grants)

▶ Morrison and Low (7% NPV, 10 year period)	\$75M
▶ KPMG (7% NPV, 10 year period)	\$51M
▶ KPMG (9.5% NPV, 20 year period)	\$88M

When consistent timeframes and discount rates are applied, KPMG's modelling identifies less financial benefits than Morrison and Low's high level business case.

### 1.23 Key Financial Data

#### Infrastructure

Combined, Ashfield, Leichhardt and Marrickville councils have a total asset base, as at end June 2015, of \$1.3B.<sup>22</sup>

There has been a significant change in the infrastructure backlog, with Leichhardt Council's estimated cost of bringing infrastructure up to an acceptable level revised down by over \$30M

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<sup>22</sup> NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016, p7

between end June 2014 and end June 2015 (largely attributable to a reduction in road infrastructure backlogs). This change has resulted in Leichhardt having a low infrastructure backlog, similar to Marrickville.

#### Estimated cost of bringing infrastructure up to an acceptable level

	2013/2014	2014/2015	CHANGE
	\$'000	\$'000	\$'000
Ashfield	24,746	23,617	-1,129
Leichhardt	35,633	5,435	-30,198
Marrickville	5,066	9,215	4,149
<b>TOTAL</b>	<b>65,445</b>	<b>38,267</b>	<b>-27,178</b>

Source: special Schedule 7 of the Ashfield, Leichhardt and Marrickville councils published Annual Financial Statements for the years ending 30 June 2014 and 30 June 2015

A council's infrastructure backlog ratio measures the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. It is calculated by dividing the 'estimated cost to bring assets to a satisfactory level' by 'written down value of assets'. A high infrastructure ratio suggests poor performance in infrastructure management and delivery. TCorp adopted a benchmark of less than 2% to be consistently applied across councils, reflecting the NSW Government's focus on reducing infrastructure backlogs.

#### Council Infrastructure Backlog Ratio

	2013/2014	2014/2015
	%	%
Ashfield	8.49	11.5
Leichhardt	7.32	1.98
Marrickville	0.6	1.49
<b>New Council</b>	<b>4.05</b>	<b>3.49</b>

Source: special Schedule 7 of the Ashfield, Leichhardt and Marrickville councils published Annual Financial Statements for the years ending 30 June 2014 and 30 June 2015

Leichhardt and Marrickville report similar ratios in 2015, both below the TCorp benchmark. Ashfield's ratio is high by comparison to the other councils and the benchmark. The Infrastructure Backlog Ratio for the combined councils as at end June 2015 exceeds the 2% benchmark.

#### Debt

Debt is an important mechanism by which councils can fund infrastructure; spreading the cost of a long life asset across current and future generations of users and ratepayers. Without debt, councils could be relying on higher rates than necessary to fund infrastructure, placing an inequitable burden on current ratepayers.

A council's debt service ratio is used to assess whether a council is using debt appropriately; a ratio of greater than 0 and less than or equal to 20% is considered reasonable. The lower the ratio suggests less use of debt to fund infrastructure, a ratio higher than 20% indicates a weakness in financial sustainability and/or poor balance sheet management.<sup>23</sup>

<sup>23</sup> Your council June 2015, PROFILE & PERFORMANCE OF THE NSW LOCAL GOVERNMENT SECTOR, p15

Morrison and Low’s analysis found that while Ashfield, Leichhardt and Marrickville have different but similar levels of debt; all comfortably meet the debt service ratio. <sup>24</sup> A per capita comparison by Morrison and Low suggests that the debt level per person in these three councils is also relatively similar.

Council	Debt \$000	Debt Service Ratio	Debt per Capita
Ashfield	7137	8.6%	\$158
Leichhardt	7915	1.9%	\$139
Marrickville	15205	4.7%	\$183
<b>New Council</b>	<b>30257</b>	<b>4.3%</b>	<b>\$163</b>

Source: Morrison and Low, Merger Business Case comparison, Marrickville Council, November 2015 (based on 2014 Actual) p 15

### Rates

Merging Ashfield, Leichhardt and Marrickville councils would result in a rate base comprising over 67,700 residential properties and over 5,900 commercial rateable properties. The existing rate base of each council is outlined below, together with combined figures.

#### Number of rating assessments (2013/14)

	Residential	Commercial
Ashfield Council	15,141	834
Leichhardt Council	22,347	1,833
Marrickville Council	30,217	3,238
<b>New Council</b>	<b>67,705</b>	<b>5,905</b>

Source: Your Council Report: Time Series Data 2011/12 – 2013/14, OLG Website

The NSW Premier has announced a rate freeze for a period of four years involving councils that are merged, <sup>25</sup> removing any short to medium term rate change impact on residents.

The Premier has also requested that IPART review and make recommendations for potential reforms to the rating system to inform the creation of a new Local Government Act from 2016. IPART has been asked to investigate best practice, the impact of current and alternative frameworks on residents and businesses and the performance of the current system and potential improvements, including consideration of the: <sup>26</sup>

- ▶ rating burden across communities and potential improvements, including consideration of apartments and other multi-unit dwellings;
- ▶ appropriateness and impact of current rating categories and exemptions, mandatory concessions and rebates;
- ▶ land valuations methodology used as the basis for determining rates in comparison to other jurisdictions;

<sup>24</sup> Morrison and Low, Merger Business Case comparison, Marrickville Council, November 2015 (based on 2014 Actual), p 15

<sup>25</sup> NSW Premier Letter to IPART, Terms of Reference; The Local Government Rating System in NSW, 18 December 2015

<sup>26</sup> Ibid



- ▶ impact of the current rating system on residents and businesses of a merged council and the capacity of the council to establish a new equitable system of rating and transition to it in a fair and timely manner; and
- ▶ objectives and design of the rating system according to recognised principles of taxation.

The long term impact on ratepayers is impossible to assess given that the local government rating system is under review. Even if this were not the case, as Morrison and Low note, modelling changes in rates in a merger is difficult to do with any degree of accuracy due to differences in the rating systems of councils which impact calculations on individual properties.<sup>27</sup> Leichhardt Council has expressed concern that its residents will face increased rates as a result of higher underlying land values in its LGA. This is a concern best directed to be considered by IPART during its review.

### **1.3 Conclusion**

Recent examinations of the financial positions of Ashfield, Leichhardt and Marrickville councils by NSW Treasury Corp and IPART found these councils to be in sound financial condition.

Financial modelling by KPMG and a high level business case analysis by Morrison and Low found that a merger could result in a net financial benefit; savings would outstrip costs. Comparing the modelling and business case is challenging, given that the calculations are based on an array of different underlying assumptions.

At my request, KPMG recast their modelling using a 10 year timeframe and discount rate of 7% (matching Morrison and Low's timeframe and discount rate). This resulted in KPMG identifying a lower level of financial benefit, \$51M, less than the \$75M financial benefit identified by Morrison and Low. In effect, a high level business case commissioned by the three councils identifies more financial benefits from a merger than the modelling commissioned by the Minister.

The research available suggests a financial benefit will arise from the merging of Ashfield, Leichhardt and Marrickville councils.

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<sup>27</sup> Morrison and Low, Merger Business Case comparison, Marrickville Council, November, p16

## **2. COMMUNITY OF INTEREST AND GEOGRAPHIC COHESION**

Section 263(3)(b) of the Act requires the Delegate to have regard to “the community of interest and geographic cohesion in the existing areas and in any proposed new area”.

The Minister’s proposal notes that the local government areas of Ashfield, Leichhardt and Marrickville are neighbouring localities of Sydney’s Inner West region, all located within 10 kilometres of the Sydney CBD.<sup>28</sup>

The proposal suggests that the communities in these local government areas share a sense of place as part of Sydney’s Inner West, sharing regional services and facilities including transport services, community care services, youth alliance networks, child and family networks and local media.

Furthermore, it suggests that a shared connectivity between the councils and communities of Ashfield, Leichhardt and Marrickville is demonstrated in existing partnerships and collaborations, in particular, participation on the Southern Sydney Regional Organisation of Councils (SSROC).

Community of interest and geographic cohesion – the people, place, behaviour and values – are important because these inform and underpin the decisions of elected officials regarding service delivery and managing change such as population growth. Communities observed to be too dissimilar are unlikely to knit together.

### **2.1 Council and Community Comments**

The submissions received from Ashfield, Leichhardt and Marrickville councils deal with the relevant “community of interest and geographic cohesion” factors from their respective perspectives.

#### **Ashfield Council**

Ashfield Council’s submission suggests that while there are many similarities between Ashfield, Leichhardt and Marrickville, there are differences that make communities distinct and unique and it is the difference between communities which define them. In particular:<sup>29</sup>

- ▶ Ashfield is more culturally and linguistically diverse than Leichhardt or Marrickville, and a merger could dilute services to people from diverse communities.
- ▶ Ashfield has a lower Socio-Economic Indexes for Areas (SEIFA) score than Leichhardt and Marrickville and a merger could jeopardise funding of services delivered to people of low socio-economic means.
- ▶ Ashfield has a strong tradition of protecting its built environment.
- ▶ Ashfield has a long history of grassroots, local democracy and community activism and advocacy.

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<sup>28</sup> NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016, p12-15

<sup>29</sup> Ashfield Council, Submission to Boundary Council Review, February 2016, p12-13

Ashfield Council noted that there are socio-economic similarities between the three councils, including:

- ▶ Average household income and wealth.
- ▶ Dwelling types.
- ▶ Household structure.
- ▶ Religion.

### **Leichhardt Municipality Council**

Leichhardt Council's submission suggests that there are no shared community of interest or geographic cohesion between Leichhardt, Ashfield and Marrickville. In particular:<sup>30</sup>

- ▶ Form and character of Leichhardt suburbs are unique to Leichhardt.
- ▶ Its harbour fronted suburbs and relative geographical self-containment creates a geographic difference between it and Ashfield and Marrickville.
- ▶ Leichhardt's attitude and policies with regard to the built form and heritage and in council planning instruments are not replicated in Ashfield or Marrickville.
- ▶ The communities of Leichhardt, Ashfield and Marrickville are very different in their views and aspirations.
- ▶ Leichhardt residents feel they live somewhere distinctive, where community is valued and the ability to influence social and environmental outcomes is achievable.
- ▶ Leichhardt has a long history of being a leader in creative industries, with a higher proportion of residents engaged in the arts and cultural life than the rest of Australia.
- ▶ Leichhardt is a walkable, mixed use neighbourhood which promotes community connections, health and wellbeing.
- ▶ An active and engaged community, involved in informing and shaping decisions affecting the Leichhardt community and neighbourhood.
- ▶ Connection to its maritime history remains important to the Leichhardt community.

### **Marrickville Council**

Marrickville Council's submission suggests that there are some shared community of interest between Marrickville, Leichhardt and Ashfield "at a broad planning level – not in the streets and neighbourhoods where lifestyle and values are actively experienced."<sup>31</sup>

Marrickville Council suggests that Marrickville is different to Leichhardt and Ashfield, with the Marrickville community known for its:

- ▶ Edgy street life – Vietnamese and Greek food and influences, street art, warehouse music venues and creative entrepreneurs and community centres.

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<sup>30</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p34-46

<sup>31</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016, p12-13

- ▶ Community feel – “a place where everyone can belong”, home to a respectful, harmonious and tolerant community, noting that Marrickville has the largest proportion of lesbian couples of any Australian LGA.
- ▶ Strong independent arts scene – with the highest arts employment in NSW, and the highest number of residents employed as arts and cultural workers in Australia.
- ▶ Community activism – people power achieving change as evidenced by protests against the construction of the 3rd runway in the 1990s which resulted in a forced curfew and more recently activism resulting in coal seam gas speculative drilling ceasing in Sydenham.
- ▶ Cultural diversity – distinctly unique, socially inclusive and vibrant.
- ▶ Industrial landscape and working class beginnings.

### Community Submissions

Of the 731 submissions, 386 (52.8%) addressed this factor in some capacity.

Local Government Area	No. of submissions addressing 'Communities of Interest' factor	Percentage (of LGAs total submissions)
Ashfield	50 (of 115 total submissions)	43.5%
Leichhardt	199 (of 320 total submissions)	62.2%
Marrickville	108 (of 233 total submissions)	46.4%
Other (LGA outside proposal/other)	31 (of 63 total submissions)	49.2%

Submissions on the impact on community of interest and geographic cohesion raised the following concerns:

- ▶ Suburbs losing their local sense of community.
- ▶ Potential loss of current protections of heritage areas.
- ▶ Harbour-side geography of suburbs in Leichhardt are not a part of the inner-west.
- ▶ No common geographic boundaries making travel between the councils difficult; no real connecting public transport routes.
- ▶ Marrickville LGA is a clearly delineated and cohesive geographic area; made up of communities where there is a strong spirit of cooperation, trust and pride. Social justice and the need to address social inequalities are central to the make-up of these communities.
- ▶ Community groups of Leichhardt LGA will be disrupted by the mergers and may not have the same voice.
- ▶ Councils are each geographically and socially defined in a separate manner. Borders are formed by Parramatta Rd, Cooks River, Hawthorne Canal, Johnston Creek and the foreshores of Iron Cove, Rozelle Bay, Johnston and White Bays. Each also has a separate heritage both socially and architecturally.

Other respondents noted examples where a community of interest and geographic cohesion exists:

- ▶ All three Councils share a strong commitment to diversity, heritage, environment and culture and have strong communities of interest.
- ▶ Three communities are all situated in the Inner West and experiencing the same process of gentrification.

- ▶ Local character and uniqueness does not derive from local council, nor from Council decisions nor the representatives - it is created by the people who live there. The existing residents will continue to live where they are and so will retain their identity.

## 2.2 Community of interest and geographic cohesion – similarities and differences

Examining demographic data, built form, community attitudes and values reveals that the communities of Ashfield, Leichhardt and Marrickville share the following similarities:

### People

- ▶ Age Structure – there is a low ratio of children to adults of parenting age across all three communities, and a low proportion of elderly people. Most residents are aged between 35-49 in all three LGAs.<sup>32</sup>
- ▶ Population Growth – similar levels of growth are expected over the twenty years to 2031 (Ashfield 19%, Leichhardt 18% and Marrickville 21%).<sup>33</sup>
- ▶ Household Types – couples with children, couples without children and lone person households are the dominant household type across all communities. One parent families and group households are consistently low across all communities (less than 10%).<sup>34</sup>
- ▶ Birthplace – Ashfield and Marrickville are home to more overseas born residents:<sup>35</sup>
  - 51% of Ashfield residents born overseas (10% in China, 4% Italy, 3% India),
  - 42% of Marrickville residents born overseas (5% UK, 3% Greece, 3% Vietnam), and
  - 35% of Leichhardt residents born overseas (7% UK, 3% NZ, 2% Italy).
- ▶ Religion – around half of residents across all communities identify as Christian, followed by a high number of people who identify as belonging to no religion.<sup>36</sup>
- ▶ Employment – over 90% of residents across all communities, aged 15 years and over are employed.<sup>37</sup>
  - Most residents in Leichhardt and Marrickville are employed in professional, scientific and technical service industries, with Healthcare and Social Assistance industries the dominant employment industry for Ashfield residents, and
  - The majority of residents across all three communities are either professionals or managers, followed by clerical and administrative workers. All three communities are home to few trades, sales workers or labourers.

### Place

- ▶ Density – population density across all three communities is at similar levels (Marrickville 50 people/ha, Ashfield 53 people/ha and Leichhardt 54 people/ha in 2013) and is forecast to increase at similar rates over the period to 2031.<sup>38</sup>
- ▶ All three LGAs are part of the NSW Government's Central Subregion for planning purposes.<sup>39</sup>

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<sup>32</sup> Morrison and Low, Communities of Interest Report; Marrickville, Leichhardt and Ashfield Councils, November 2015 p6

<sup>33</sup> Ibid p3

<sup>34</sup> Ibid p6

<sup>35</sup> Ibid p7

<sup>36</sup> Ibid p7

<sup>37</sup> Ibid p9-10

<sup>38</sup> Ibid p3

- ▶ Dwelling types – councils have a broadly similar proportion of low density dwellings, medium density represents the highest proportion of dwellings in Leichhardt and Marrickville both (44%), while Ashfield has a higher proportion of high density dwellings.<sup>40</sup>
- ▶ Cycling network – all councils support the GreenWay project to have an off-road shared path from the Cooks River to Iron Cove.<sup>41</sup>
- ▶ Parks and open space – Ashfield, Leichhardt and Marrickville councils provide 51, 83 and almost 117 hectares of open public space, this equates on a per capita basis to a similar amount of space per capita across the three LGAs.<sup>42</sup>
- ▶ Shared corridor - GreenWay is an urban green corridor passing through Leichhardt, Marrickville, Ashfield and Canterbury Local Government Areas, and acts as a hub for community arts and groups, bush care, walking and cycling.<sup>43</sup>

### Behaviour

- ▶ Sydney CBD is the most common place of work for residents in Ashfield, Leichhardt and Marrickville (19%, 26% and 20% respectively).<sup>44</sup>
- ▶ Most workers in Ashfield, Leichhardt and Marrickville live in the same LGA; Leichhardt's workforce is then drawn mostly from Marrickville, while Ashfield and Marrickville draw workers who live mostly in Canterbury.<sup>45</sup>
- ▶ Migration Patterns – residents tend to move between the three communities:<sup>46</sup>
  - New Ashfield residents are relocating from Leichhardt, Sydney or Marrickville LGAs,
  - New Marrickville residents are from Sydney, Randwick or Leichhardt LGAs, and
  - Residents leaving Leichhardt relocate to Canada Bay, Ashfield or Marrickville LGAs.
- ▶ Active travel – between 2006-11, Marrickville, Leichhardt and Ashfield experienced similar growth in the share of people cycling (119%, 114% and 109% respectively), with Marrickville and Leichhardt having the highest proportion of people cycling to work (4.39% and 3.81% respectively).<sup>47</sup>

### Values

- ▶ Community activism – Ashfield, Leichhardt and Marrickville share a high level of community activism, with residents vocal in pursuing and achieving change to maintain or improve amenity in their suburb or neighbourhood, examples include:
  - Ashfield community campaign to secure the Inner West Light Rail,<sup>48</sup>
  - Leichhardt community opposition to redevelopment of Callan Park, and<sup>49</sup>
  - Marrickville community opposition to the construction of the 3<sup>rd</sup> runway in the 1990s which resulted in a forced curfew.<sup>50</sup>

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<sup>39</sup> Ibid p12

<sup>40</sup> Australian Bureau of statistics, Census (2011), Dwelling Structure by LGA

<sup>41</sup> GreenWay Steering Committee Terms of Reference

<sup>42</sup> Your Council Report: Time Series Data 2011/12 – 2013/14, OLG Website accessed 11 March 2016

<sup>43</sup> GreenWay website - <http://www.greenway.org.au/index.php/arts-and-community/community>

<sup>44</sup> Morrison and Low, Communities of Interest Report; Marrickville, Leichhardt and Ashfield Councils, November 2015 p11

<sup>45</sup> Ibid p10-11

<sup>46</sup> Ibid p11

<sup>47</sup> Alexis Sander, Chris Rissel and Adrian Bauman, Prevention Research Collaboration, The University of Sydney, Cycling to work in Sydney: analysis of journey-to-work Census data from 2001 to 2011, November 2012

<sup>48</sup> Ashfield Council, Submission to Boundary Council Review, February 2016 p14

<sup>49</sup> Friends of Callan Park website - <http://www.callanpark.com/?p=188>

<sup>50</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016 p13

- ▶ Political Persuasion – communities across Ashfield, Leichhardt and Marrickville are recognised as Australia’s most left leaning politically:
  - since its proclamation in 1949, the Federal seat of Grayndler, 32 km square footprint of covering Ashfield, Leichhardt and Marrickville, has been held by the Australian Labor Party,<sup>51</sup>
  - Labor and The Greens have been elected across the three NSW Parliament seats of Summer Hill, Newtown and Balmain which cover the communities of Ashfield, Leichhardt and Marrickville.<sup>52</sup> Since Federation, communities across these areas have largely elected left leaning politicians, and
  - At the local government level, all three existing councils have Labor Mayors, with councils largely populated by Labor and Green councillors then Independent and Liberal councillors
- ▶ Arts – Marrickville has the highest arts employment in NSW; 8.2% of its employed residents work in arts and culture,<sup>53</sup> while Leichhardt notes its population has a higher proportion of residents engaged in arts and cultural life relative to the rest of Australia.<sup>54</sup>
- ▶ Environment – all three councils operate a raft of sustainability, environment and climate change services and programs, from investing in solar panels on council owned facilities, to encouraging community involvement in bush care and community gardens, information to assist businesses and households reduce energy and water use and waste generation, promoting and facilitating active travel and car share arrangements and supporting initiatives to promote product re-use through garage sales and markets.<sup>55 56 57</sup>
- ▶ Heritage – all three councils have, value and protect heritage; Ashfield is home to the highest number of Heritage Conservation Areas, Leichhardt the highest number of heritage items (followed by Ashfield).<sup>58</sup>

*Key areas of difference:*

- ▶ Language - Ashfield and Marrickville have a high number of non-English speaking residents (51% and 38% respectively compared to Leichhardt’s 21%).<sup>59</sup>
- ▶ Inward Migration - New Leichhardt residents are relocating from Sydney, North Sydney, or Woollahra LGAs, not from neighbouring suburbs.<sup>60</sup>
- ▶ Income – Leichhardt’s residents earn on average \$87,000 annually, higher than \$58,000 p.a. in Marrickville and \$55,000 p.a. in Ashfield.<sup>61</sup>

Looking forward, a high level analysis of council Community Strategic Plans by Morrison and Low as part of their report for councils found consistency between councils and community aspirations.<sup>62</sup> All councils identified strong visions for their community, with delivery largely focused on the environment, economy, people, leadership and access to quality services.

<sup>51</sup> Australian Electoral Commission: Profile of Profile of the electoral division of Grayndler (NSW)

<sup>52</sup> Parliament of NSW website - <http://www.parliament.nsw.gov.au/prod/parliament/members.nsf/V3Home>

<sup>53</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016 p12

<sup>54</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016 p51

<sup>55</sup> Ashfield website - <http://www.ashfield.nsw.gov.au/page/environment.html>

<sup>56</sup> Leichhardt website - <http://www.leichhardt.nsw.gov.au/Environment---Sustainability>

<sup>57</sup> Marrickville website - <http://www.marrickville.nsw.gov.au/en/environment/sustainable-council/>

<sup>58</sup> Ashfield Council, Submission to Boundary Council Review, February 2016 p13

<sup>59</sup> Morrison and Low, Communities of Interest Report; Marrickville, Leichhardt and Ashfield Councils, November 2015 p8

<sup>60</sup> Ibid p11

<sup>61</sup> Your Council Report: Time Series Data 2011/12 – 2013/14, OLG Website <https://www.olg.nsw.gov.au/public/my-local-council/yourcouncil-website>

<sup>62</sup> Marrickville Council submission - Attachment 3: Morrison Low report: merger business case, p7-9

All three councils have a focus on community connectivity (transport and infrastructure, technology and social and human capital), expanding their local economy and creating usable, sustainable environments. Ashfield and Marrickville also focus on supporting diversity.

## **2.3 Conclusion**

The communities of Ashfield, Leichhardt and Marrickville share a lot in common; they demonstrate a very high level of similarities between who they are, how they live, work and recreate and the values which drive them and shape their local environment.

The communities of Ashfield, Leichhardt and Marrickville are also very well connected across the 35 sq. kms of the proposed new council area. People move easily and readily across the three communities, via heavy and light rail, bus networks, cycling networks and walking.

As Delegate, I am satisfied that the proposed merger of Ashfield, Leichhardt and Marrickville councils would not diminish existing communities, indeed these communities fit together cohesively both geographically and through a shared sense of identity and behaviour which points to an ability to successfully integrate the three councils.



### 3. HISTORICAL AND TRADITIONAL VALUES

Section 263(3)(c) of the Act requires the Delegate to have regard to “the existing historical and traditional values in the existing areas and the impact of change on them”.

To consider the historical and traditional values and the impact of change on them, I have had regard to the built environment of Ashfield, Leichhardt and Marrickville, and how this environment emerged, has been shaped and preserved since the inception of local councils in Ashfield, Leichhardt and Marrickville. The values, beliefs and actions of people who have lived and worked in these LGAs has shaped the suburbs and neighbourhoods and informed and influenced council decisions (these values are also explored under my consideration of communities of interest).

#### 3.1 Council and Community Comments

##### Ashfield Council

Ashfield council’s submission highlights the value it and its community places on heritage, noting that:<sup>63</sup>

- ▶ Ashfield is home to the highest number of Heritage Conservation Areas, and second highest number of heritage items (after Leichhardt).
- ▶ Council’s land use planning demonstrates its understanding of the community’s historic values of heritage conservation and balanced, sustainable gentrification.

##### Leichhardt Municipality Council

Leichhardt council’s submission suggests that historical and traditional values remain at the core of its community and its identity, noting:<sup>64</sup>

- ▶ Cultural heritage is understood and highly valued, with a merger likely to result in less emphasis on the retention of places of cultural significance.
- ▶ Redevelopment can be at odds with heritage objectives.
- ▶ Leichhardt has a strong connection to its maritime history.

##### Marrickville Council

Marrickville council’s submission suggests<sup>65</sup> that its residents have embraced the industrial landscape they live in and easily identify with its working class beginnings and notes that Marrickville’s typical older, inner-city suburbs contain many important heritage and cultural items, including sites of Aboriginal significance.

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<sup>63</sup> Ashfield Council, Submission to Boundary Council Review, February 2016, p13-17

<sup>64</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p47-61

<sup>65</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016, p13-14

## Community Submissions

315 submissions (42.9%) had regard to the factor: “the existing historical and traditional values in the existing areas and the impact of change on them.”

Local Government Area	No. of submissions addressing ‘Historical & traditional’ factor	Percentage (of LGAs total submissions)
Ashfield	42 (of 115 total submissions)	36.5%
Leichhardt	179 (of 320 total submissions)	55.9%
Marrickville	73 (of 233 total submissions)	31.3%
Other (LGA outside proposal/other)	21 (of 63 total submissions)	33.3%

Community submissions themes included:

- ▶ The history of the Councils, in particular Ashfield, which has kept its boundaries intact since its proclamation and inception in 1871. There was concern that this history would be lost, if the merger went ahead.
- ▶ Ashfield LGA has a very high number of individual items of heritage significance and many, many conservation areas. Much time is required with care and attention to fine detail, and that is necessary when dealing with DA’s for these properties. Concern was noted over the capacity and time constraints for an amalgamated council and its councilors to give the attention and time that is given currently.
- ▶ Leichhardt and Marrickville Councils have significant heritage and conservations areas.

## 3.2 History and Traditional Values

### Origins of Ashfield, Leichhardt and Marrickville Councils

The origins of local government in NSW were in the 1833 *Improvements Act* which allowed the colonial government to make parishes pay for new roads. In 1840, the *Parish Roads Trust Act*<sup>66</sup> provided a system of elected roads trusts which obtained funds from tolls and rates upon landowners. Provision was made in the *Constitution Act* in 1842 for a system of local government by district councils with by-law making power. The *Municipalities Act* of 1858 enabled a group of at least 50 householders to petition for a municipality to be created.<sup>67</sup>

Local councils received the power to prepare town planning schemes and control all new development and land use in 1945 via amendments to the *Local Government Act 1919*.<sup>68</sup>

### History of Councils, Amalgamations and Boundary Alterations

Leichhardt and Marrickville councils have grown and changed since their original inception. Ashfield is unique in that its boundaries have not been altered since its proclamation.

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<sup>66</sup> *Parish Roads Trust Act*, [http://www.austlii.edu.au/au/legis/nsw/num\\_act/prs1840n17165.pdf](http://www.austlii.edu.au/au/legis/nsw/num_act/prs1840n17165.pdf)

<sup>67</sup> *Municipalities Act 1858* [http://www.austlii.edu.au/au/legis/nsw/num\\_act/tmao1858n16243.pdf](http://www.austlii.edu.au/au/legis/nsw/num_act/tmao1858n16243.pdf)

<sup>68</sup> *Local Government (Town and Country) Planning Amendment Act 1945* [http://www.austlii.edu.au/au/legis/nsw/num\\_act/lgacpaa1945n21561.pdf](http://www.austlii.edu.au/au/legis/nsw/num_act/lgacpaa1945n21561.pdf)

- ▶ 1860 - Balmain Council formed<sup>69</sup>
- ▶ 1861 – Marrickville Council formed<sup>70</sup>
- ▶ 1861 – Camperdown council formed (but did not function until 1868)<sup>71</sup>
- ▶ 1862 – Newtown Council formed<sup>72</sup>
- ▶ 1871 – St Peters Council formed<sup>73</sup>
- ▶ 1871 - Leichhardt Council formed<sup>74</sup>
- ▶ 1871 - Ashfield Council formed<sup>75</sup>
- ▶ 1872 – Petersham Council formed<sup>76</sup>
- ▶ 1884 - Annandale Council was formed (separating from Leichhardt)<sup>77</sup>
- ▶ 1949 - Balmain Council and Annandale Council merged into Leichhardt Council<sup>78</sup>
- ▶ 1949 - Petersham Council and St Peters Council merged into Marrickville council<sup>79</sup>
- ▶ 1968 - Glebe and Camperdown (parts) merged into Leichhardt Council<sup>80</sup>
- ▶ 1968 – sections of Newtown and Camperdown added to Marrickville council<sup>81</sup>
- ▶ 2003 - Glebe and Forest Lodge removed from Leichhardt Council and incorporated into the City of Sydney<sup>82</sup>

### History of the Built Environment in Ashfield, Leichhardt and Marrickville

Prior to the arrival of the First Fleet in 1788, the land covered by the LGAs of Ashfield, Leichhardt and Marrickville was home to the Wangal and Cadigal clans of the Eora language group.<sup>83 84 85</sup>

Land across Ashfield, Leichhardt and Marrickville was progressively and predominantly granted by the colonial government to men of rank including George Johnston (who served as adjutant to Governor Arthur Phillip),<sup>86</sup> Dr William Balmain (colonial surgeon),<sup>87</sup> Thomas Moore (master boat builder, Port Jackson dockyard),<sup>88</sup> Henry Kable (former convict and jailor)<sup>89</sup> and brothers Hugh and John Piper (officers of the New South Wales Corps).<sup>90</sup> By the early 1800s all land within the district had been granted and was used for farming (orchards, dairies, timber) or housed grand estates.

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<sup>69</sup> Leichhardt website - <http://www.leichhardt.nsw.gov.au/Library/Local-History/Our-Suburbs>

<sup>70</sup> Marrickville website - <http://www.marrickville.nsw.gov.au/en/library/history-services/our-local-history/>

<sup>71</sup> Ibid

<sup>72</sup> Ibid

<sup>73</sup> Ibid

<sup>74</sup> Leichhardt website

<sup>75</sup> Ashfield website - <http://www.ashfield.nsw.gov.au/page/ashfield.html>

<sup>76</sup> Marrickville website

<sup>77</sup> Leichhardt website

<sup>78</sup> Ibid

<sup>79</sup> Marrickville website

<sup>80</sup> Leichhardt website

<sup>81</sup> Marrickville website

<sup>82</sup> Leichhardt website

<sup>83</sup> Ashfield website

<sup>84</sup> Leichhardt website

<sup>85</sup> Marrickville website

<sup>86</sup> Leichhardt website

<sup>87</sup> Leichhardt website

<sup>88</sup> Australian Dictionary of Biography - <http://adb.anu.edu.au/biography/moore-thomas-2476>

<sup>89</sup> Ashfield website

<sup>90</sup> Leichhardt website

Large land holdings were gradually broken up in the mid to late 1800s, to meet demand for a growing population and, together with the arrival of rail and tram services, resulted in the creation of residential suburbs fanning out from thriving town centres.<sup>91</sup> In the late 1800s, Ashfield and Summer Hill were largely affluent residential suburbs, home to professionals including architects, bankers, public servants and politicians. In Balmain and Marrickville, industrial growth accelerated; shipbuilding, engineering and boiler making dominated Balmain, a coal mine established in Birchgrove,<sup>92</sup> and brick pits, followed by wool mills, steel and metal operations and automotive industries in Marrickville;<sup>93</sup> workers lived in modest housing nearby.

In the early 20th century many grand houses were demolished as wealthier residents moved to the North Shore, and replaced by small art deco blocks of flats or semi-detached houses. Italian migration, which had begun in the 1920s, increased rapidly after WWII and Leichhardt became largely influenced by Italian culture, resulting in the development of a cosmopolitan café culture.<sup>94</sup>

Ashfield experienced its greatest period of development during the inter war period, resulting in Australia's first 'Garden Suburb' of Haberfield and other subdivisions comprising numerous examples of Federation architecture.<sup>95</sup> Later periods witnessed the development of multiple occupancy buildings in the form of low rise 'Art Deco' style flats.

Industry continued to dominate the landscape in Marrickville and Balmain. Balmain Power Station was built in stages from 1909 and the Balmain Reservoir in 1915.<sup>96</sup> Between World War I and World War II, Marrickville experienced rapid industrial growth, with over 130 manufacturing businesses ranging from food and clothing to household goods to heavy-duty machinery.<sup>97</sup> After WWII, Balmain's foreshore was dominated by industry, including the Balmain Coal Loader, Balmain Power Station, Unilever, Colgate-Palmolive, Monsanto and Caltex.<sup>98</sup>

In the 1950s, Balmain and Marrickville had an influx of migrants, with Marrickville transformed into one of Australia's most diverse societies becoming home to mostly non-English speaking migrants (Greek initially) attracted by factory jobs and affordable housing.<sup>99</sup> Ashfield and surrounding suburbs experienced a fall in population as people moved to newer houses on larger blocks of land on the urban fringe.

In the 1960s, with industry waning, Balmain began to gentrify as tertiary educated middle-class professionals moved into the area. In 1965, the Balmain Association was formed to give residents a voice in planning decisions and heritage issues.<sup>100</sup>

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<sup>91</sup> Ashfield website

<sup>92</sup> Peter Reynolds, *Balmain Places 2 - The Coal Mine Under The Harbour*, Architectural History Research Unit, University of New South Wales, 1996

<sup>93</sup> Marrickville Heritage Society website - <http://marrickville-heritage.blogspot.com.au/>

<sup>94</sup> Leichhardt website

<sup>95</sup> Ashfield website

<sup>96</sup> Leichhardt website

<sup>97</sup> Marrickville Heritage Society website

<sup>98</sup> Leichhardt website

<sup>99</sup> Marrickville Heritage Society website

<sup>100</sup> Leichhardt website

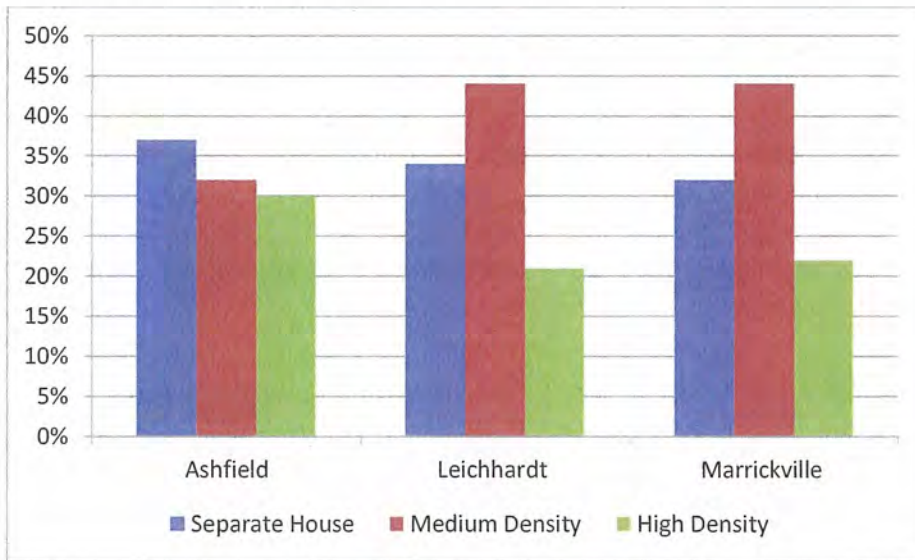
Industry began leaving Marrickville in the 1970s in search of cheaper and larger premises, resulting in changing demographics as manufacturing land was replaced by retail centers and housing.<sup>101</sup>

Another influx of migrants arrived in the 1980s; with Vietnamese and Chinese migrants establishing themselves as small business owners in Marrickville.<sup>102</sup>

By 1990, Balmain was among Sydney's most desirable waterfront locations, with swathes of land previously zoned industrial redeveloped into housing.

Today, the suburbs of Ashfield, Leichhardt and Marrickville LGAs are characterised by medium to high-density housing, including some of Sydney's oldest buildings, ranging from Georgian & Victorian development through to Federation and California Bungalows. The largest heritage conservation areas are Haberfield and the Balmain peninsular and the whole of Annandale is protected as a Conservation Area.

Population density is highest in Leichhardt (54.28 people per hectare), followed by Ashfield (53.32), with Marrickville the lowest (49.84).<sup>103</sup> Ashfield has the highest proportion of both high density and low density dwellings. Leichhardt and Marrickville have a higher proportion of medium density dwellings (see graph below).



Source: Australian Bureau of Statistics, Census (2011), Dwelling Structure by LGA

Local government regulates land use and development through Local Environmental Plans (LEPs), a legal document prepared by councils in consultation with their community and approved by the Minister for Planning, according to the *Environmental Planning and Assessment Act 1979* and *Environmental Planning and Assessment Regulation 2000*.

LEPs are councils' main legal document guiding planning decisions made by council, regulating the

<sup>101</sup> Marrickville Heritage Society website

<sup>102</sup> Ibid

<sup>103</sup> Your Council Report: Time Series Data 2011/12 – 2013/14, OLG Website

ways in which all land, private and public, may be used and protected through zoning and development controls. An LEP contains:

- ▶ Land use zones, establishing where residential, commercial, recreation and other uses can occur.
- ▶ Controls for buildings and land, including height, floor space, subdivision and lot size.
- ▶ Provides protection for trees, heritage items, heritage conservation areas and environmentally sensitive areas.

LEPs are long lasting documents. Developing the contents of an LEP involves extensive, compulsory public engagement. Typically, LEPs are reviewed every 10 years to ensure that the LEP is forward looking and suitably addresses current and emerging planning issues.

In 2006 councils were required by the NSW Government to review their Local Environmental Plans (LEPs) to make them consistent with the Sydney Metropolitan Strategy and Standard Instrument, and to create a consolidated Development Control Plan (DCP).

Ashfield, Leichhardt and Marrickville LEPs have been in place between 3-5 years, including:

- ▶ Ashfield Local Environmental Plan 2013 (prior to which council operated under the Ashfield Local Environmental Plan 1985).<sup>104</sup>
- ▶ Leichhardt Local Environmental Plan 2013 (prior to which council operated under the Local Environment Plan 2000).<sup>105</sup>
- ▶ Marrickville Local Environmental Plan 2011 (prior to which council operated under the Marrickville Local Environmental Plan 2001).<sup>106</sup>

An analysis by Morrison and Low revealed a high level of similarity between council LEPs, as shown in the table below.

**Local Environmental Plans (LEPs)**

	Ashfield	Leichhardt	Marrickville
Max Building Heights	29m	32m	32m
Max Floor Space Ratios	3:1	2.15:1	3.7:1
Heritage Items	668	811	308
Heritage Conservation Areas	50	19	36

*Source: Morrison and Low 2015, Inner west councils, Fit for the Future – Shared Modelling, February*

LEPs are developed through extensive community consultation. Until a new LEP for a merged council is developed, existing LEPs remain in place. Following the creation of Canada Bay Council in 2000, a new LEP extinguishing prior planning controls became effective in 2008, eight years after the merger.<sup>107</sup>

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<sup>104</sup> Ashfield website

<sup>105</sup> Leichhardt website

<sup>106</sup> Marrickville website

<sup>107</sup> CANADA BAY LOCAL ENVIRONMENTAL PLAN 2008

### **3.3 Conclusion**

Both Leichhardt and Marrickville councils have grown and changed since their original inception, while Ashfield's boundaries have not been altered since its proclamation 145 years ago. Suburbs across all three councils have changed substantially since Europeans first occupied the area, with large estates and farmland replaced by housing and industry before changing technology, markets and demographics led to gentrification with industrial sites becoming residential or open space and higher density dwellings built to provide new and affordable housing close to major transport links.

All three councils impose planning controls to protect heritage, including the protection of entire suburbs as Conservation Areas. Council's LEPs are similar in terms of building heights and floor space ratios, reflecting a shared community interest in maintaining a similar character in their neighbourhoods, sensitive to preserving historical sites.

From an examination of historical and traditional values of the affected areas, I consider that no impediment to the boundary alteration proposal is presented.

## **4. RESIDENTS' AND RATEPAYERS' ATTITUDES**

Section 263(3)(d) of the Act requires the Delegate to have regard to “the attitude of the residents and ratepayers of the areas concerned”.

As Delegate, I held a public inquiry, but was not required to conduct a plebiscite or postal survey, in relation to this amalgamation proposal.

In considering the attitude of residents and ratepayers, I had regard to the submissions made to me by the affected councils, as well as written submissions from individuals and community groups and submissions made at the public hearings.

### **4.1 Council and Community submissions**

#### **Ashfield Council**

In its submission, Ashfield Council cited community consultation conducted by Council from March to April 2015 informing residents of the Fit for the Future six council merger option which involved an online survey and written submissions.<sup>108</sup> Information provided to residents included a feedback form asking residents and non-resident ratepayers to indicate a preference between Ashfield standing alone, merging with Leichhardt and Marrickville or a six council merger as examined during the ‘Fit for the Future’ process. As consultation was conducted prior to the release of the Minister’s proposal to merge Ashfield, Leichhardt and Marrickville councils, its results were not informed by the specific proposal under consideration.

1,727 feedback forms were received by council indicating:

- ▶ 54% of respondents prefer Ashfield to standing alone (reduced to 46% once weighted)
- ▶ 27% of residents prefer Ashfield merging with Leichhardt and Marrickville (up to 36% once weighted)
- ▶ 19% of residents prefer the six council merger option (18% once weighted)

#### **Leichhardt Municipality Council**

In its submission, Leichhardt Council stated that the proposal is not supported by either Leichhardt Municipal Council or a majority of residents or ratepayers.<sup>109</sup>

Council’s submission outlines the results of a telephone survey of residents conducted by Micromex Research between 1-3 February 2016. 301 interviews were conducted, with the sample weighted to reflect the LGA’s community profile. Survey results were:

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<sup>108</sup> Ashfield Council, Submission to Boundary Council Review, February 2016, p17-21

<sup>109</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p62-68



- ▶ 89% of residents were aware of the NSW Government's proposed council mergers.
- ▶ 63% of residents prefer Leichhardt standing alone.
- ▶ 26% of residents support the merger proposal.
- ▶ 11% of residents preferred to merge with other councils (predominantly the City of Sydney).

Residents concern about a merger mostly stemmed from:

- ▶ 25% were concerned council services/ facilities would decline.
- ▶ 21% were concerned council would be less responsive to local needs.

### Marrickville Council

In its submission, Marrickville Council stated that the proposal is not supported by either Marrickville Council or a majority of residents.<sup>110</sup>

Council's submission outlines the results of a telephone survey of residents conducted by Micromex Research between 30 November - 5 December 2015. 605 interviews were conducted, with the sample weighted to reflect the LGA's community profile. Survey results were:<sup>111</sup>

- ▶ 82% of residents were aware of the NSW Government's proposed council mergers.
- ▶ 75% of residents prefer Marrickville standing alone.
- ▶ 18% of residents support the merger proposal.
- ▶ 7% of residents preferred to merge with other councils (predominantly the City of Sydney).

The main benefits and concerns identified by residents were:

- ▶ 24% mentioned cost savings (noting \$75M identified by Morrison and Low).
- ▶ 16% were concerned about a loss of local services.
- ▶ 16% were concerned about a loss of local identity/ local voice.

Council also conducted a self-selecting survey between 30 November 2015 and closed online on 28 January 2016 and a paper version closed on 5 February 2016. 1,162 surveys were received, with results:<sup>112</sup>

- ▶ 79% of respondents were 'somewhat supportive' of Marrickville standing alone.
- ▶ 60% of respondents were 'not all supportive' or 'not very supportive' of a merger.

### Community Submissions

During the public consultation period 755 submissions were received via the Council Boundary Review website, post, email or verbally. Removing duplicates, 731 submissions were considered, including 90 verbal submissions delivered at public hearings held on 2 February 2016 at Wests Leagues Club in Ashfield. 43 people provided both a written and a verbal submission, each counted separately as part of the 731 total (representing 86 submissions, almost 12% of total submissions).

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<sup>110</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016, p14

<sup>111</sup> Marrickville Council Submission - Attachment 9: Community Consultation Feedback Report, December 2015

<sup>112</sup> Ibid

The total number of submissions received represents less than 0.04% of a total population of 185,990.

**For or Against**

Of the 731 submissions received, 603 submissions express a position ‘for’ or ‘against’ the merger proposal and gave reasons, with an additional 45 against without stating any reasons / addressing the factors.

595 (81.4%) oppose the merger proposal, 53 (7.3%) support and 82 (11.1%) were neutral / did not explicitly express an opinion. The table below illustrates ‘for’ or ‘against’ by LGA:

LGA	FOR THE ALM MERGER PROPOSAL	AGAINST THE ALM MERGER PROPOSAL
ASHFIELD	12	77
LEICHHARDT	15	279
MARRICKVILLE	19	195
OUTSIDE / NOT AVAILABLE *	7	44
OVERALL	53	595

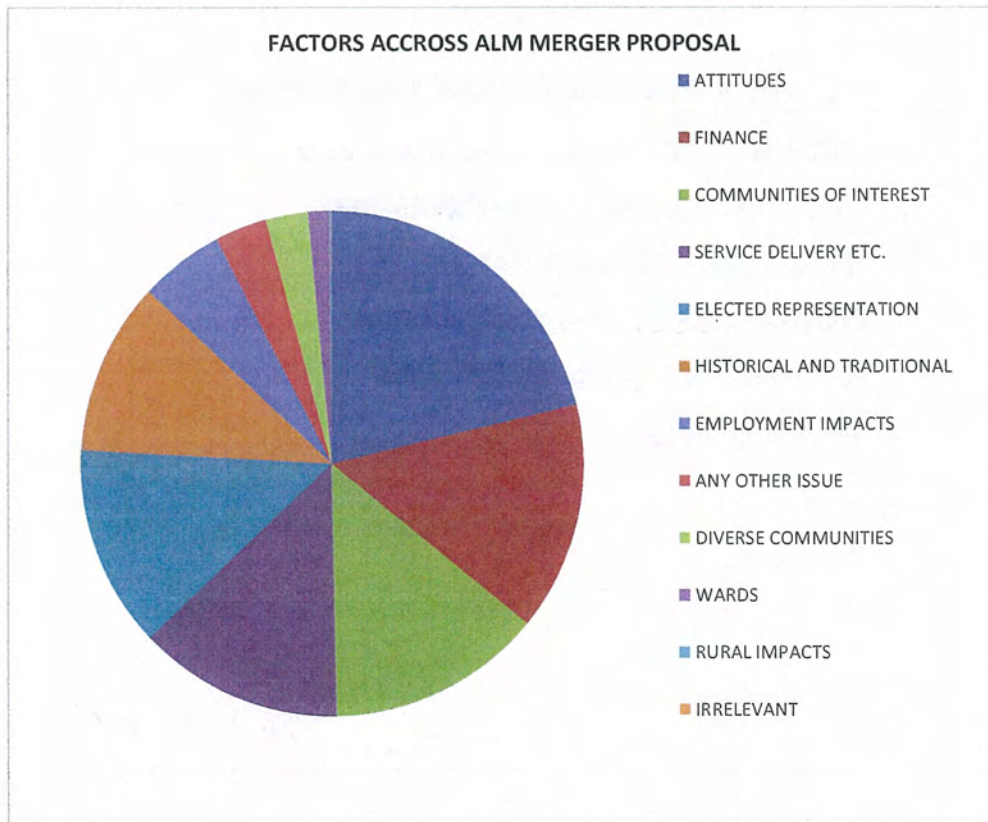
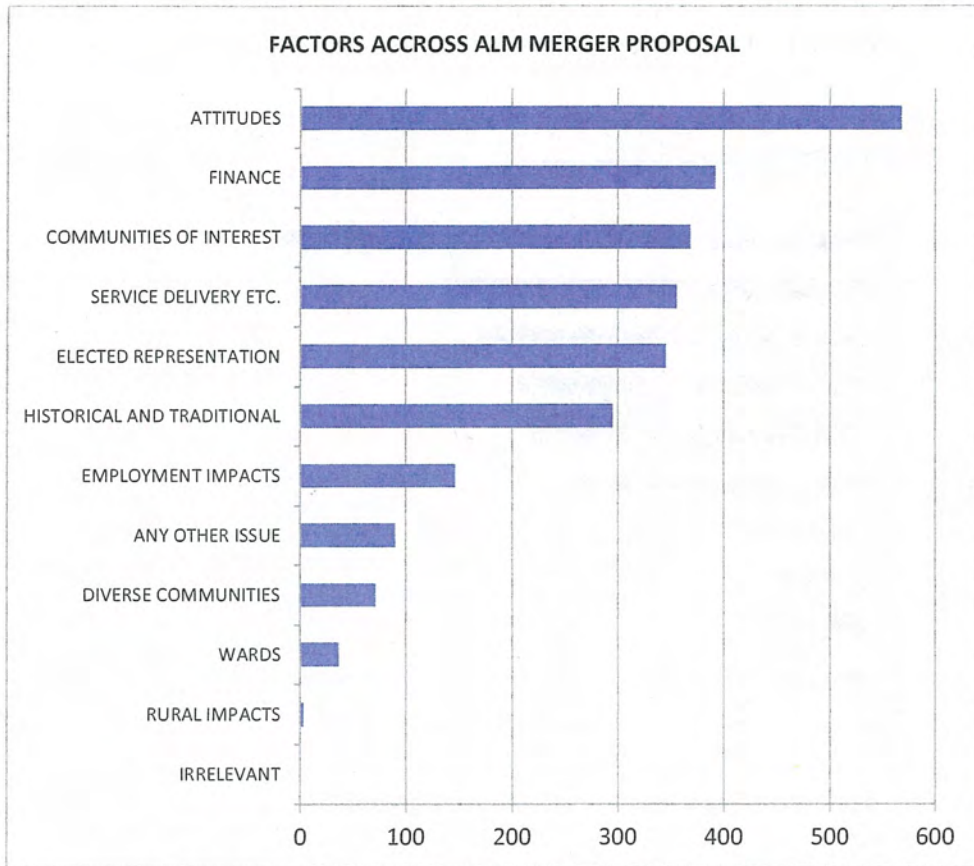
*\*Post code was not provided or available on the submission*

Submissions mostly addressed:

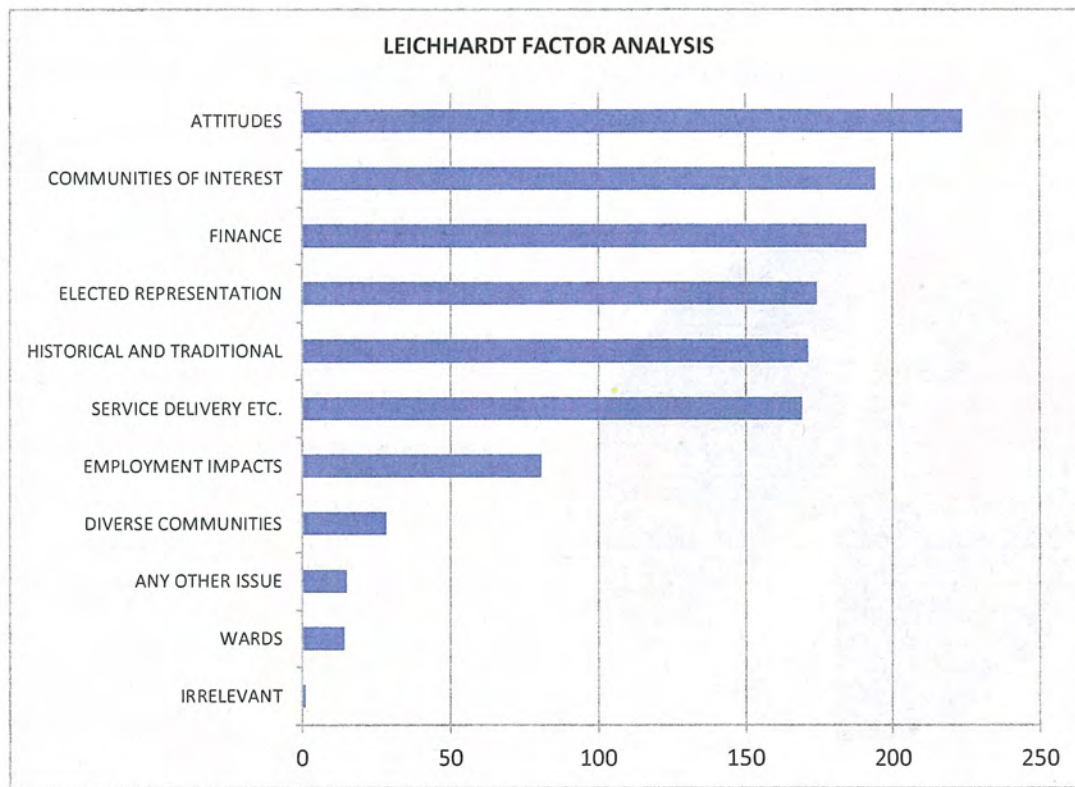
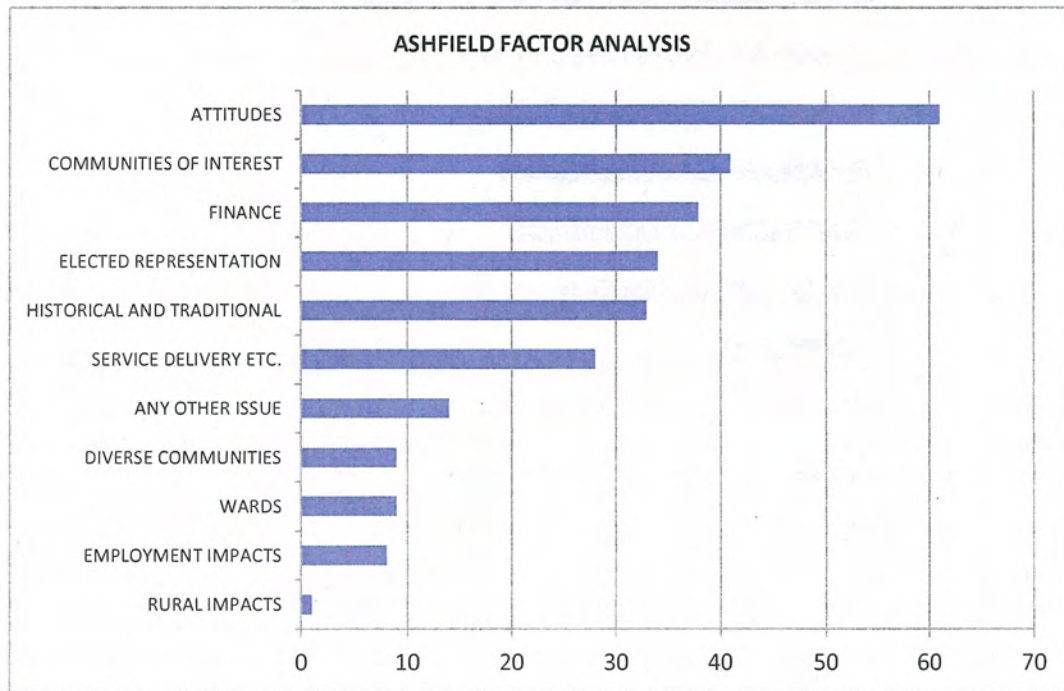
1. *The attitudes of residents and ratepayers of the areas concerned;*
2. *The financial advantages or disadvantages of the proposal to the residents and ratepayers of the areas concerned; and*
3. *The community of interest and geographic cohesion in the existing areas and in any proposed new area.*

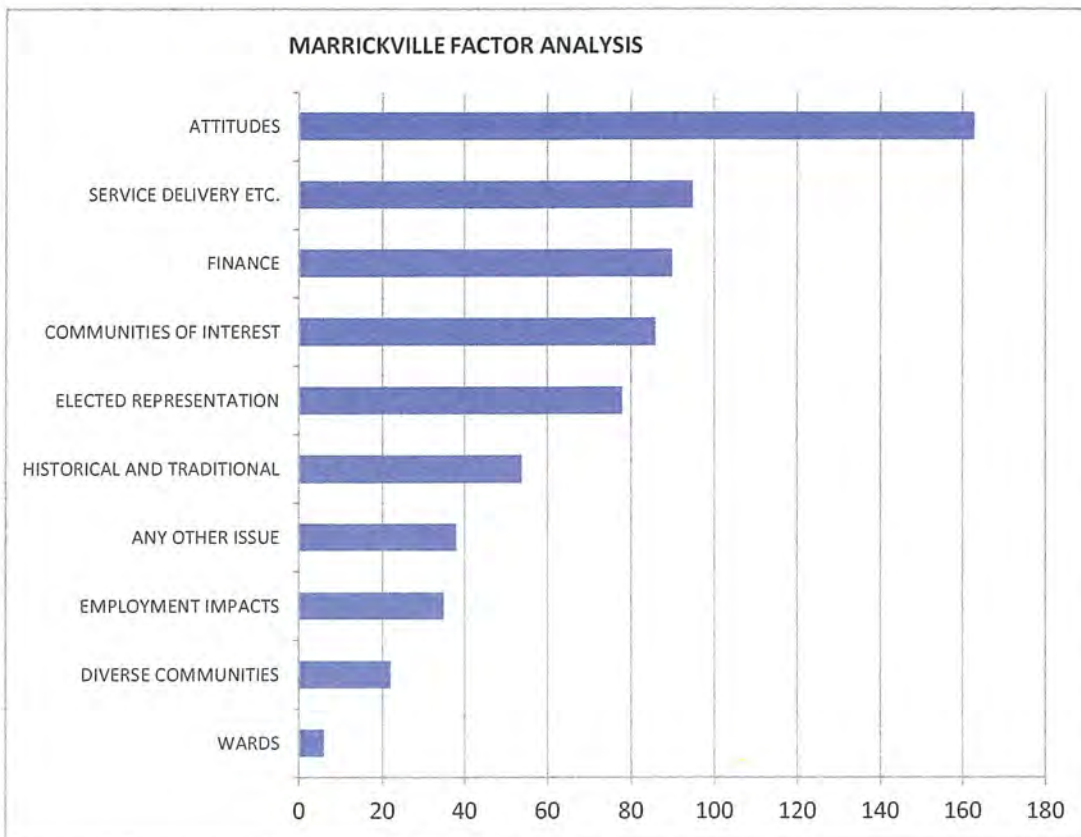
The table and graphs below demonstrate the breakdown of submissions received in detail:

FACTORS	ALM PROPOSAL TOTAL	PERCENTAGE (FROM 731 SUBMISSIONS)
ATTITUDES	592	81%
FINANCE	416	56.9%
COMMUNITY OF INTEREST	388	53.1%
SERVICE DELIVERY ETC.	375	51.3%
ELECTED REPRESENTATION	365	49.9%
HISTORICAL AND TRADITIONAL	315	43.1%
EMPLOYMENT IMPACTS	164	22.4 %
ANY OTHER ISSUE	90	12.3%
DIVERSE COMMUNITIES	75	10.3%
WARDS	41	5.6%
IRRELEVANT	1	0.1%
RURAL IMPACTS	0	0%



## 4.2 Analysis of resident and ratepayer attitudes





### 4.3 Conclusion

Submissions received reveal a high level of opposition to forced council amalgamations. Opposition is based primarily on attitudes, financial concerns, a belief that there is little or no community of interest among the council areas and concern that a merger could result in a loss of services.

Opposition to the merger based on financial and loss of service concerns and a belief in a lack of community of interest can, and have, been assessed against evidence and found to be unwarranted. It is extremely difficult to assess and understand the validity of opposition per se, where no reasoning for an attitude, other than a right for it to be expressed, is provided.

Emotion appears to underpin much of the opposition expressed, with attitudes shaped not by the contents of the merger proposal so much as the process by which the merger is being considered. A suggestion that the process is 'undemocratic' ignores the role of State Parliament (comprising elected representatives) in passing legislation that gives life to and oversees the operation, including the merger of, of local government.

## 5. REPRESENTATIONAL ISSUES

Section 263(3)(e) of the Act requires the Delegate to have regard to “the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such matters as it considers relevant in relation to the past and future patterns of elected representation for that area”.

In addition, as the proposal involves an amalgamation of three local government areas, section 263(3)(e4) requires the Delegate to have regard to the “desirability (or otherwise) of dividing the resulting area or areas into wards”, while section 263(3)(e5) requires regard be had to “the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented”.

### 5.1 Council and Community Comments

#### Ashfield Council

In its submission, Ashfield Council advised that, if a merger were to proceed, it supports:<sup>113</sup>

- ▶ the new council consisting of 15 councillors, the maximum currently permitted under the *Local Government Act 1993*, and
- ▶ a new council being divided into 3 Wards incorporating the boundaries of existing councils, with the exception of Dulwich Hill which will join the Ashfield Ward to ensure 10% population variation in each Ward, as required by the *Local Government Act 1993*.

Ashfield Council notes that its Council comprises equal gender representation and a high level of Councillors (50%) from culturally and linguistically diverse backgrounds. Council is concerned that a merger could reduce diversity.

#### Leichhardt Municipality Council

In its submission, Leichhardt Council advised that, if a merger were to proceed, it supports:<sup>114</sup>

- ▶ the new council consisting of 15 councillors, the maximum currently permitted under the *Local Government Act 1993* and comparable to Penrith City Council, Campbelltown City council and Sutherland Shire Council which have similar populations to the proposed merged entity, and
- ▶ a new council being divided into Wards.

Leichhardt Council notes a high level of community participation in council, through an array of Committees of Council, and suggests that an existing level of public participation and voluntary

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<sup>113</sup> Ashfield Council, Submission to Boundary Council Review, February 2016, p22-23 and p27-29

<sup>114</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p69-77 and 91-96

assistance could be hindered by reducing the access to Councillors arising from reduced levels of representation.

### Marrickville Council

In its submission, Marrickville Council advised that, if a merger were to proceed, it supports:<sup>115</sup>

- ▶ the new council consisting of 15 councillors, the maximum currently permitted under the *Local Government Act 1993*, and
- ▶ a new council being divided into 3 Wards, each comprising 5 Councillors; allowing each existing LGA to remain largely intact as a Ward area within the amalgamated council.

Marrickville council notes use of Local Committees as an effective means of enabling diverse communities to voice their views to council, participate in grass-roots activities and influence elected representatives.

### Community submissions

365 (49.9%) of submissions referred to “the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such matters as it considers relevant in relation to the past and future patterns of elected representation for that area”

Local Government Area	No. of submissions addressing ‘Representation’ factor	Percentage (of LGAs total submissions)
Ashfield	46 (of 115 total submissions)	40%
Leichhardt	191 (of 320 total submissions)	59.7%
Marrickville	102 (of 233 total submissions)	43.8%
Other (LGA outside proposal/other)	26 (of 63 total submissions)	41.2%

Submissions expressed the following concerns:

- ▶ Reduced access by residents to councillors and a loss of direct relationships with civic leaders.
- ▶ Reduced councillors’ knowledge of their residents and ratepayers.
- ▶ Slower response times by councillors to residents and ratepayers.
- ▶ Loss of political independence by councillors.
- ▶ Less power for residents and ratepayers to influence councillors.

41 (5.6%) of submissions addressed the factor: “the desirability (or otherwise) of dividing the resulting area or areas into wards” in some capacity.

Local Government Area	No. of submissions addressing ‘Wards’ factor	Percentage (of LGAs total submissions)
Ashfield	11 (of 115 total submissions)	9.6%
Leichhardt	14 (of 320 total submissions)	4.4%

<sup>115</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016, p17 and p18-19

Marrickville	8 (of 233 total submissions)	3.4%
Other (LGA outside proposal/other)	8 (of 63 total submissions)	12.7%

Most submissions supported the maintenance of a Ward structure; with Wards seen as a means to ensure elected representatives remain in touch with the local community and support the local identify. A minority of submissions opposed the use of Wards, suggesting the system is a self-serving model designed to protect party structures and of no value to citizens.

75 (10.3%) of submissions addressed the factor: “the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented”.

Local Government Area	No. of submissions addressing ‘Diverse Communities’ factor	Percentage (of LGAs total submissions)
Ashfield	12 (of 115 total submissions)	9.6%
Leichhardt	28 (of 320 total submissions)	8.8%
Marrickville	24 (of 233 total submissions)	10.3%
Other (LGA outside proposal/other)	11 (of 63 total submissions)	17.5%

Submissions expressed the following concerns:

- ▶ Specific needs of complex communities (class, race and sexual preference) will not be met.
- ▶ Ashfield is more culturally and linguistically diverse and has a higher level of socioeconomic disadvantage than Leichhardt and Marrickville. A larger council would dilute and divert services away from the needs of non-English speaking and less affluent or marginalised communities.

## 5.2 Analysis of Representational Issues, Wards and Diverse Communities

### Representation

The proposal, if implemented, would change the representation ratios when compared with those currently applicable at each of the existing councils. The table below sets out the current representation levels, and shows the expected resultant figures for the proposed new council.

	Estimated Population	No. Councillors	Ratio of elected representatives to population
Ashfield	44,498	12	1:3,708
Leichhardt	58,136	12	1:4,845
Marrickville	83,356	12	1:6,946
New Council	185,990	12*	1:15,499

Source: NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016, p11

By way of comparison, the City of Sydney, with a population of 191,918<sup>116</sup> people and represented by 10 Councillors, has a ratio of elected representation to population of 1:19,192. The City of Sydney was nominated by residents, in council surveys and submissions, as an appropriate alternative merger option (23 people in Leichhardt,<sup>117</sup> 25 people in Marrickville<sup>118</sup>).

<sup>116</sup> Your Council Report: Time Series Data 2011/12 – 2013/14, OLG Website

<sup>117</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p122



## Wards

Ashfield, Leichhardt and Marrickville councils all currently have Ward structures (each council currently comprises four Wards, with three councillors elected in each Ward). Councils all state support for the use of Wards to be maintained should a merger occur, with Ward boundaries broadly following existing LGA boundaries. A majority of submissions also support the continued use of Wards.

## Council Committees

Section 355 of the *Local Government Act 1993* provides for councils to establish committees as a consultative mechanism, to provide for community feedback directly to inform councils' planning and decisions. Comprising volunteer citizens who meet regularly, sometimes over extended periods of time, to provide councils with policy advice and place management related services, citizen committees are an important mechanisms for sustained community input into local decision making.

Ashfield, Leichhardt and Marrickville councils all operate committees and advisory groups involving residents. Ashfield operates eight Advisory Committees,<sup>119</sup> Leichhardt seventeen Committees<sup>120</sup> and seven Precinct Committees,<sup>121</sup> and Marrickville operates 22 Special Committees.<sup>122</sup>

A high level of similarity exists between councils committees. All three councils operate committees representing diverse and minority groups, including Aboriginal and seniors committees, Leichhardt supports precinct committees for each of its suburbs, and Marrickville operate several project/ issues based committees, e.g. WestConnex.

## 5.3 Conclusion

The proposed level of representation would be reduced under the merger; however, strategies can be put in place to ensure a high quality of representation is maintained. The use of council committees is an effective way to ensure diverse communities receive a direct voice to inform council planning and decisions.

The use of Wards in a merged council is supported, with new boundaries to be developed by the new council to promote cohesion and community representation in the enlarged LGA.

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<sup>118</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016, Attachment 9, Community Consultation Feedback Report, December 2015

<sup>119</sup> Ashfield website - [http://www.ashfield.nsw.gov.au/page/advisory\\_standing\\_committees.html](http://www.ashfield.nsw.gov.au/page/advisory_standing_committees.html)

<sup>120</sup> Leichhardt website - <http://www.leichhardt.nsw.gov.au/About-Council/Meetings/Committees>

<sup>121</sup> Leichhardt website - <http://www.leichhardt.nsw.gov.au/Community/Precincts-and-Volunteers/Resident-Precinct-Committees/Precinct-Committees>

<sup>122</sup> Marrickville website - Structure and Responsibilities of Council's Standing, Statutory and Special Committees; A GUIDE TO COUNCIL'S COMMITTEES, 11 Sept 2015

## **6. SERVICE DELIVERY AND ACCESS**

Section 263(3)(e1) of the Act requires the Delegate to have regard to “the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities”.

Councils exist to deliver services and infrastructure to their communities. As the level of government closest to the people, councils focus on matters directly affecting neighbourhoods; building regulations and development, public health, local roads and footpaths, parks and playing fields, libraries, local environmental issues, waste disposal, and community based facilities and services.

The services and infrastructure delivered by councils, and the frequency and standard of these services, is informed by the needs and wants of local communities.

### **6.1 Council and Community Submissions**

#### **Ashfield Council**

Ashfield Council’s submission suggests that there are key differences between all three council’s service offerings and delivery models, reflecting different needs and community priorities.<sup>123</sup>

Council suggests that a merged council would harmonise services, either standardising services at the highest level (involving increased costs), reducing service levels to meet forecast financial benefits (Ashfield indicates this is the most likely scenario), or introducing a ‘best fit’ model for most of the population (reducing specialised services catering to residents with tailored needs such as non-English speakers CALD and the less mobile).

#### **Leichhardt Municipality Council**

Leichhardt Council’s submission suggests that a merger with Ashfield and Marrickville would jeopardise the high level of service delivery that the residents of Leichhardt have become accustomed to and council is able to afford.<sup>124</sup>

Council also notes that service levels would be harmonised if a merger proceeds, resulting in either a reduction in services or standards or else increased costs for service delivery across the new council area.

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<sup>123</sup> Ashfield Council, Submission to Boundary Council Review, February 2016, p23-25

<sup>124</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p76-85

## Marrickville Council

Marrickville Council's submission<sup>125</sup> advises that all three councils provide a range of services (some unique) and that service standards between the councils vary considerably. Council indicates that if merged with Ashfield and Leichhardt, Marrickville residents will face higher costs (rates or user charges) to pay for improved services in regards to services in which it already delivers to the highest level compared to other councils, e.g. childcare.

Marrickville Council suggests that the integration of services with differing service levels often leads to standardising service levels at the highest level at which those services are currently provided. While ensuring a high or improved service level to its community, a merged council could jeopardise saving opportunities by increasing delivery costs.

## Community Submissions

375 submissions (51.3%) made some consideration of the factor: "the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities."

Local Government Area	No. of submissions addressing 'Service Delivery' factor	Percentage (of LGAs total submissions)
Ashfield	43 (of 115 total submissions)	37.4%
Leichhardt	183 (of 320 total submissions)	57.2%
Marrickville	124 (of 233 total submissions)	53.2%
Other (LGA outside proposal/other)	25 (of 63 total submissions)	39.7%

Community submissions raised the following concerns:

- ▶ Concern that service delivery levels would be diminished.
- ▶ There would be less understanding of the community needs with the reduction of a localised approach to service delivery.

Several submissions suggested that an amalgamated entity would provide opportunities for improved service delivery and access, including:

- ▶ facilitating better regional strategic planning, covering a larger geographical region; having less arbitrary boundaries (e.g. between centres, suburbs, water catchments and other areas of common interest); and having less council entities to come together to undertake regional planning for a better planned Greater Sydney Metropolitan area.
- ▶ a larger council would have a stronger voice with state and federal Governments to advocate for the broader community.

<sup>125</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016, p17-18

## 6.2 Council service delivery and access

In its report to Ashfield, Leichhardt and Marrickville councils Morrison and Low analysed council service offerings, delivery methods and standards/targets to assess how similar or dissimilar the councils' services were. A high level summary of Morrison and Low's findings is replicated below across the following council services:<sup>126</sup>

- ▶ Cultural Facilities
- ▶ Sport and Recreation Facilities
- ▶ Domestic Waste Services
- ▶ Environment and Health
- ▶ Public Order and Safety
- ▶ Roads and Transport
- ▶ Planning and Development Services
- ▶ Economic Affairs
- ▶ Administration Services

This analysis shows that the scope, scale, frequency and standards/ quality of council services appear to be very similar across all three councils. Some councils deliver more services on some fronts, for example, Marrickville Council provides gallery space at Chrissie Cotter Gallery<sup>127</sup> to individuals and organisations for exhibitions and cultural events, in addition to operating programs and activities supporting the arts, while Ashfield and Leichhardt only do the latter.

Delivery method is not uniform across all councils, with Ashfield engaging in more outsourcing than Leichhardt and Marrickville (which is in line with Ashfield reporting a 'leaner' staffing structure). Domestic waste services are outsourced by Ashfield Council, a move Council credits in its submission with delivering \$2.1M in cost-savings over the life of the contract.<sup>128</sup> Ashfield also appears to deliver more to its residents and ratepayers in waste services, including monthly e-Waste collection and services to collect Christmas Trees and mattresses. Ashfield also reports the lowest average domestic waste charge (\$382 compared to Leichhardt's \$440 and Marrickville's \$488).

In terms of frequency, Leichhardt provides the most frequent verge mowing for residents and rate payers, a 20 day cycle, compared to every five weeks in Marrickville, and only by eligibility in Ashfield. Leichhardt also steam cleans pavers in their electorate every six months, neither Ashfield nor Marrickville appear to deliver this service.

In terms of Planning and Development, Ashfield reports a much lower turn-around time taken to process Development Applications, which a gross median reporting time of 39 days compared to 72 in Marrickville and 91 in Leichhardt. While the complexity of these applications is unknown, the quantum of applications is not too dissimilar, especially between Ashfield and Leichhardt (400 and

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<sup>126</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016 p79-85

<sup>127</sup> Marrickville website - <http://www.marrickville.nsw.gov.au/chrissiecottergallery/>

<sup>128</sup> Ashfield Council, Submission to Boundary Council Review, February 2016, p24

474 respectively, noting Ashfield covers a smaller geographic area and has a lower population to Leichhardt).

### Cultural Facilities

	Ashfield	Leichhardt	Marrickville
Public Libraries	2 Circulation per capita 9 Home Library delivery twice weekly	2 Circulation per capita 10 Home Library delivery weekly	4 Circulation per capita 6 Home Library delivery
Art Galleries & Art Festivals	Facilitate programs & activities	Facilitate programs & activities	Facilitate programs & activities 6 Galleries 4 sites
Community Centres & Halls	11 venues	7 venues	5 venues
Other Cultural Services	Facilitate programs & activities	Facilitate programs & activities	Facilitate programs & activities

### Sport & Recreation Facilities

	Ashfield	Leichhardt	Marrickville
Sports Grounds & Venues	5 sportsgrounds	11 sportsgrounds	10 sportsgrounds
Swimming Pools	1 Aquatic centre (IH)	1 Aquatic centre (IH) 1 Swimming Centre (IH)	2 Aquatic centres (IH)
Parks & Gardens (Lakes)	48ha open space 1.1 ha per 1,000 population Mow fortnightly in summer, monthly in winter (IH)	84ha open space 1.5 ha per 1,000 population Mow monthly (IH)	117ha open space 1.4 ha per 1,000 population Mow fortnightly in summer, monthly in winter
Other Sport & Recreation	2 off leash dog parks	Multiple off leash parks	10 off leash dog parks Debbie & abbey Borgia Centre 3 Court multi-purpose indoor stadium Robyn Webster stadium

IH = in-house, OS = Outsourced

### Domestic Waste Services

	Ashfield	Leichhardt	Marrickville
Solid Waste Management	Weekly garbage (OS) Fortnightly recycling (OS) Fortnightly greenwaste (OS) Monthly E-waste (IH) Christmas Tree/ mattress collection	Weekly garbage (IH) Fortnightly recycling (OS) Fortnightly greenwaste (IH) E-waste (OS)	Weekly garbage (IH) Fortnightly recycling (OS) Fortnightly greenwaste (IH) Quarterly E-waste (OS)
Average domestic waste charge	\$382	\$440	\$488
Total domestic waste diversion	36%	43%	41%
Clean up household rubbish collections per year	2 per annum	2 per annum	on request
Street Cleaning/Graffiti removal	Graffiti 48 hrs Street sweeping 6-8 week cycle Town centre daily Verge mowing – by eligibility	Graffiti weekly Steam cleaning pavers 6 monthly Street sweeping 20-40 day cycle Town centre daily Verge mowing 20 day cycle	Graffiti – fortnightly in hotspots, in parks on a hierarchy basis Street sweeping 5 weekly cycle Town centre daily Verge mowing 5 weekly cycle

IH = in-house, OS = Outsourced

### Environment & Health

	Ashfield	Leichhardt	Marrickville
Noxious Plants & Insects / Vermin Control	Within 24hrs response	Resolve within 2 weeks	N/A
Inspections	Food Shops as per FA guidelines (1-3 per annum) Monthly immunisation clinic	Food Shops annually	Food Shops annually

### Public Order & Safety

	Ashfield	Leichhardt	Marrickville
Animal Control			
No. of companion animals	7,051	16,738	21,042
% companion animals identified & registered	59%	50%	51%
Complaints response standard	Within 24hrs investigate	Commence investigation within 48hrs	Commence investigation within 48hrs

### Roads and Transport

	Ashfield	Leichhardt	Marrickville
Cond % in 4 & 5 (Transport from ss7)	4%	4%	6%
Road length (kms)	98	151	217
Road length per capita (metres)	2.24	2.68	2.65
Roads	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (IH)	Maintenance (IH/OS) Construction (IH/OS)
Footpaths	Maintenance (IH/OS) Construction (IH/OS)	Maintenance (IH) Construction (IH/OS)	Maintenance (IH/OS) Construction (IH/OS)
Marine facilities	None	Boat ramps, jetties, ocean baths, seawalls & dingy storage sites	Jetty Seawall
Other Transport	Community Bus	Community Bus	Community Bus
Fleet	Car Fleet (IH/OS) Heavy Fleet (IH/OS)	Car Fleet (OS) Heavy Fleet (IH/OS)	Car Fleet (IH) Heavy Fleet (IH)

IH = in-house, OS = Outsourced

### Planning and Development Services

	Ashfield	Leichhardt	Marrickville
Town Planning	s149 cert within 5 days	s149 cert within 4 days	s149 cert within 5 days
No. DAs determined	400	474	578
Mean gross days for DAs	39 days	91 days	72 days
DAs per existing dwellings	2.17%	2.09%	1.8%

### Economic Affairs

	Ashfield	Leichhardt	Marrickville
Legal advice	Outsourced	Outsourced & Internal	Outsourced
Security	Outsourced	Outsourced	Outsourced
Buildings	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS)

IH = in-house, OS = Outsourced

### Administrative Services

	Ashfield	Leichhardt	Marrickville
Customer communication	Community Newsletter Quarterly (IH) Business Newsletter Quarterly (IH) Mayoral Column Weekly (IH)	Community Newsletter Quarterly (OS)	Community Newsletter Quarterly (IH) e-Newsletter (IH)

Customer service calls (daily average)	200-300	260	N/A
Customer request response rate	90% with 10 days	>70% at first point <3 minutes counter/ telephone wait	>70% at first point <5 minutes counter wait
Internal Audits	3-4 per annum	>5 per annum	>5 per annum

IH = in-house, OS = Outsourced

### 6.3 Conclusion

The services delivered by Ashfield, Leichhardt and Marrickville councils are very similar in terms of scope, scale, standards/quality and frequency. There are differences between the way councils deliver services (predominantly whether services are delivered internally or outsourced), which is a factor which affects councils more than it does its residents or ratepayers. In receiving services, residents and ratepayers are more likely to be conscious of frequency, reliability and quality of services than whether a service is delivered by staff employed by council directly or engaged under contract.

Councils suggest services are likely to be harmonised if a merger proceeds, citing the experience of council mergers in Queensland and Auckland where this is seen to have occurred, significantly with services harmonised at high levels, not lower levels, with residents and ratepayers ultimately able to access better, more frequent or new services. It is suggested such harmonisation erodes potential merger savings, and this could occur. As long as a new council does not deliver services at a financially unsustainable level, using merger savings to fund more or better services is a good outcome for residents and ratepayers.

Ultimately, the mix and quality of services provided by any council is developed in response to its community's wants and needs. The similarity between the service offerings of Ashfield, Leichhardt and Marrickville councils suggest a significant similarity of community wants and needs; these similarities will inform and likely sustain, and perhaps enhance, the services and accessibility of services delivered under a merged council. A merger of Ashfield, Leichhardt and Marrickville councils is likely to result in better, more accessible services to residents and ratepayers.

## 7. EMPLOYMENT IMPACTS

Section 263(3)(e2) of the Act requires the Delegate to have regard to “the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned”.

If the merger of Ashfield, Leichhardt and Marrickville councils proceeds, staff employed under the *Local Government Act 1993* are protected. Transferred staff members’ accrued rights, including recreation leave, sick leave, long service leave and superannuation are all preserved and there can be no forced redundancy for three years from the date of proclamation. Staff cannot be required to transfer to a work base outside the boundaries of their former council area for three years if they would suffer unreasonable hardship. The newly formed council must also notify staff vacancies internally and select candidates from within where an adequate trained pool of staff exists.

Senior council staff, including General Managers, employed under employment contracts that are performance based and have a maximum term, can have their employment terminated or their positions changed in accordance with their contract.

### 7.1 Council and Community Submissions

#### Ashfield Council

Ashfield Council’s submission highlights the organisation’s lower staffing structure than other councils and cites Council’s recognition for excellence in strategic planning, environmental management and community engagement.<sup>129</sup>

Ashfield suggests a period of transition during a merger could result in the loss of valuable corporate knowledge and the loss of highly skilled professionals.

Unlike Leichhardt and Marrickville councils, Ashfield employs only one staff member on a performance based employment contract, its General Manager, with the remainder of its staff employed under the *Local Government Act 1993*.

#### Leichhardt Municipality Council

Leichhardt Council’s submission suggests that a merger would have an overwhelmingly negative impact on staff employed in the three councils, with redundancies negatively impacting service delivery and resulting in a loss of corporate/ community knowledge and commitment to local values.<sup>130</sup>

Leichhardt Council notes that staffing in customer service functions, including customer service centres and back office call centres, are unlikely to be reduced due to heavy demands across the

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<sup>129</sup> Ashfield Council, Submission to Boundary Council Review, February 2016, p5 and p26-27

<sup>130</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p86-90



three councils, with medium term staffing reductions most likely to affect staff employed in Finance and Corporate Services.

In order to achieve savings, Leichhardt Council suggests that approximately 50 staff positions across the three councils would need to be removed via natural attrition or efficiency improvements.

In October 2015, Leichhardt Council adopted a policy to extend the three year protection provisions provided under the *Local Government Act 1993* to five years, and staff have received letters embedding the policy as part of their terms and conditions.<sup>131</sup>

### Marrickville Council

Marrickville Council's submission suggests that:<sup>132</sup>

- ▶ Over 200 jobs will be lost in the short to medium term if the merger proceeds.
- ▶ An opportunity to streamline processes, systems and procedures exists, but there are potential costs from low morale, stress, uncertainty and conflict arising from job competition in a merged council.
- ▶ Local Government has a skills shortage, wide scale redundancies will exacerbate this, thwarting strategies aimed at promoting Local Government as an employer of choice, or resulting in higher employee costs to attract staff.
- ▶ Corporate culture misalignment during the post-merger integration phase could result in reduced morale, high staff turnover and reduced business performance.

### Community Submissions

In its submission, the United Services Union (USU) advised that it is seeking that the Minister for Local Government extends employment protection provisions provided to non-senior council staff from three years to five years. The USU cites five year protection provisions provided to energy workers as precedent for this change.

Should this merger proceed, the USU is also calling for "the establishment an industrial working party involving the parties to the Local Government (State) Award. This industrial working party would commence the process of identifying above award conditions, and assist in the negotiation of a new salary system, employment policies and other relevant workplace documents to be implemented at the new council."

164 submissions (22.4%) made some consideration of the factor: "the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned".

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<sup>131</sup> ITEM 3.6 EMPLOYMENT PROTECTION MEMORANDUM OF UNDERSTANDING WITH THE UNITED SERVICES UNION, Leichhardt Council, Policy Meeting, 6 October 2015

<sup>132</sup> Marrickville Council, Merger Proposal Ashfield, Leichhardt & Marrickville Councils, Submission to the Delegate, February 2016, p18

Submissions addressing 'Employment impacts' factor by LGA:

Local Government Area	No. of submissions addressing 'Employment Impacts' factor	Percentage (of LGAs total submissions)
Ashfield	9 (of 115 total submissions)	7.8%
Leichhardt	86 (of 320 total submissions)	26.9%
Marrickville	52 (of 233 total submissions)	22.3%
Other (LGA outside proposal/other)	17 (of 63 total submissions)	27%

Community submissions considering this factor the raised the following concerns:

- ▶ Loss of jobs for council employees and uncertainty about the location of their offices, if a merged entity is created.
- ▶ Concern that loss of staff would have a flow in effect of diminished service responsiveness and delivery levels.

## 7.2 Impact on council staff

The organisational structure and status of the staff of Ashfield, Leichhardt Municipal and Marrickville councils has been reviewed to assist in determining the impact.

### Council organisational structure and costs

	Ashfield	Leichhardt	Marrickville
Senior Staff	1	4	5
Non-Senior Staff (FTE)	183	451	520
<b>TOTAL</b>	<b>184</b>	<b>455</b>	<b>525</b>
Ratio of staff to population	1:242	1:128	1:159
Employee costs per capita	\$351	\$650	\$556
Average employee costs	\$84,777	\$82,991	\$88,200

Source: Your Council Report: Time Series Data 2011/12 – 2013/14, OLG Website accessed 11 March 2016

Ashfield Council has a significantly lower ratio of staff to population compared to Leichhardt and Marrickville, indicating that it is a much leaner organisation (with one staff member for every 242 residents compared to Leichhardt's one staff member to 128 residents). Ashfield also has a much lower employee cost per capita, \$351, significantly lower than Leichhardt, \$650, and Marrickville, \$556. These figures reflect Ashfield's service model of contracting out as opposed to service delivery primarily through in-house staff (which Leichhardt and Marrickville tend to do). Average employee costs are similar across the councils; Leichhardt has the lowest at \$82,991 per employee, Marrickville the highest at \$88,200.

Morrison and Low estimate that a merger of Ashfield, Leichhardt and Marrickville councils is likely to result in annual saving of \$11.7 M from the loss of staff positions, natural attrition and improved efficiency through:

- ▶ Senior Staff Changes:
  - Loss of two General Managers (Tier 1) positions
  - Loss of three Directors (Tier 2) positions

- ▶ Non-senior Staff Changes:
  - Reduction in Corporate Services in the medium term (3-5 years after proclamation), impacting staff involved in finance, accounting, human resources, communication, IT, legal, procurement, risk management and records and archive management
  - Reduction in Waste and Work (maintenance) Units in the medium term (3-5 years after proclamation), impacting staff involved in waste collection (note Ashfield outsources the collection of waste) and labour road and footpath maintenance, street sweeping and parks maintenance
  - Reduction in staff through greater efficiencies, such as turnover, procurement, business processes and property/accommodation in the medium term (3-5 years after proclamation)

### **7.3 Conclusion**

Council staff receive protection under the *Local Government Act* where an amalgamation of councils occur, providing employment security and continuity for three years after proclamation of a new council. Council staff employed on a performance employment contract basis (seven people in regards to the merger proposal under consideration) receive compensation commensurate with their terms of employment if their position is not maintained.

As delegate, I note that Leichhardt Council extended to five years for its staff the employment protections provided to them under the Act (which, under legislation are set for three years). It would appear to be unfair, and unhelpful in bringing organisations together, if all staff of a newly created council did not receive the same treatment in regards to their employment as a result of a council merger.

The impact on staff of a merger of Ashfield, Leichhardt and Marrickville councils is manageable, has been mitigated via legislated employment protections and does not, therefore, preclude the merger of these councils.

## **8. IMPACTS ON RURAL COMMUNITIES**

This factor is not relevant to this proposal; there is no rural community in any of the three councils.

## 9. OTHER MATTERS

In addition, as the proposal involves an amalgamation of three local government areas, section 263(3)(f) requires that the Delegate have regard to “such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas.”

### 9.1 Strategic Advantages

The Minister’s proposal suggests that a merged council, covering 35 sq. kms and representing a population of almost 186,000 people, will provide significant opportunities to strengthen the role and strategic capacity to partner with the NSW and Australian governments on major infrastructure projects and other cross-government initiatives.<sup>133</sup> Delivering urban renewal in the Bays Precinct, Parramatta Road corridor and along the Inner West Light Rail extension; major transport projects such as the WestConnex; and protecting the natural environment, in particular waterways, are named as examples of regional priorities of relevance to a merged council.<sup>134</sup>

Merging Ashfield, Leichhardt and Marrickville councils would create a council with a residential population comparable to the City of Sydney, across a geographic area 9 square kilometres larger than the City of Sydney.<sup>135</sup> Scale of this type could enhance the ability of council to not just influence but partner with the NSW and Australian governments on projects and/or programs to delivery infrastructure and services. For example:

- ▶ The City of Sydney not only advocated for Light Rail in the CBD, it has invested \$220M in pedestrian updates to facilitate, enhance and ultimately shape the project (in effect partnering with the NSW Government to deliver this project).<sup>136</sup>
- ▶ Advocacy and investment by the City of Sydney elevated the issue of cycleways on the Australian Government’s agenda, with Infrastructure Australia including a City of Sydney-led plan to develop a bike lane network on its 2013 National Infrastructure Priority List.<sup>137</sup> The plan involved a 284km bicycle lane network connecting existing infrastructure in 15 councils and developing new lanes to fill the missing links.<sup>138</sup>

Increased scale (geographic, population and financial) creates opportunities for councils to not just influence, but partner with other levels of government to deliver services and provide infrastructure to local communities.

As Delegate I note concerns raised by councils and the community in regards to a potential loss of effective council representation during a period of councils merging, coinciding with the NSW Government making major decisions on infrastructure and urban renewal projects which affect the Inner West community (e.g. WestConnex, Parramatta Road Corridor Urban Renewal).

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<sup>133</sup> NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016, p4-5

<sup>134</sup> Ibid p6

<sup>135</sup> City of Sydney website - <http://www.cityofsydney.nsw.gov.au/about-us>

<sup>136</sup> City of Sydney website - <http://www.cityofsydney.nsw.gov.au/vision/city-transformation/light-rail>

<sup>137</sup> Infrastructure Priority List, Infrastructure Australia - [http://infrastructureaustralia.gov.au/projects/files/IPL\\_Table.pdf](http://infrastructureaustralia.gov.au/projects/files/IPL_Table.pdf) p7

<sup>138</sup> City of Sydney website - <http://www.sydneymedia.com.au/inner-sydney-bike-network-a-national-priority/>

Major infrastructure and urban renewal projects underway in Sydney's Inner West have long term implications for residents. The NSW Government should ensure that effective community engagement and consultation in regards to these projects is not diminished during any period of transition associated with the creation of a new council.

## 9.2 Transition Arrangements

Leichhardt Council included in its submission a copy of the proclamation of Canada Bay Council in 2000 as an example of a preferred means of transitioning to a new council, notably:<sup>139</sup>

- ▶ No administrator was appointed.
- ▶ General Managers and senior managers remained in place until the new council was elected and appointed a new General Manager.
- ▶ All councillors remained in place until the election of a new council.

Leichhardt suggests that a proclamation could be made in July 2016 foreshadowing the commencement of a new council in March 2017, enabling councils to remain in place until a new council is constituted, and working to align organisations in preparation for a new council.

Transition to a new council will involve a significant upheaval and generate short term costs. Sound and well informed planning is required to minimise disruption. Councillors and council staff should be encouraged to collaborate and contribute their knowledge and skills to ensure that an effective and efficient transition occurs.

## 9.3 Boundary Adjustments

The *Local Government Act 1993* does not give me the power to make significant changes to the proposal, or to the boundaries of the proposed new council area. I can only make recommendations based on the proposal.

Submissions were received asking that consideration be given to alterations to the existing local government boundaries of Ashfield and Marrickville, including:

- ▶ Presbyterian Ladies College Sydney (PLC) - requested that the existing Ashfield boundary be adjusted to relocate all of the school's buildings into the proposed merged Burwood / Strathfield Council. Currently the school's buildings fall in both Burwood and Ashfield LGAs (85% and 15% respectively).
- ▶ Ashbury Community Groups - requested that the suburbs of Ashbury and Hurlstone Park be moved from the proposed merged Canterbury/Bankstown Council, into the Ashfield/ Leichhardt / Marrickville Council. It was suggested that these suburbs, separated from the remainder of

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<sup>139</sup> Leichhardt Council, Submission to the Delegate on the Merger Proposal for Ashfield, Leichhardt and Marrickville Councils, 23 February 2016, p106-108 and p155-158

the Canterbury LGA by the Cooks River, had a strong community of interest and identified with the Ashfield and Marrickville community.

- ▶ The Cook River Intermodal Terminal - NSW Ports requested the existing Marrickville boundary be adjusted to relocate the Terminal in the merged Botany/ Rockdale Council, consolidating the facility with other freight infrastructure of state economic significance.
- ▶ Sydney Airport Corporation - requested removing land it occupies from the Marrickville LGA to the merged Botany/ Rockdale council. The Airport currently straddles three council areas (predominantly Botany and Rockdale, with 6% located in Marrickville). As a preeminent international gateway to freight and passengers, the Airport argues it should be located in one LGA. A submission from Botany Bay Council was received expressing support for the inclusion of all Sydney Airport occupied land within a stand-alone, larger City of Botany Bay

As Delegate, I sought comment from Marrickville and Ashfield councils in regards to boundary adjustments relating to their LGAs:

- ▶ Marrickville Council suggested that all adjustments in regards to its LGA were of a significant nature and would likely require a new proposal to be lawful.<sup>140</sup>
- ▶ Ashfield Council advised that the provision of the Infrastructure SEPP allow PLC to undertake significant development related to educational activities without requirement for DA to either Council. Council does not support removing PLC owned properties that are mixed in with other existing residential uses and properties, noting such a change would impact parties who have not been consulted.

Of the boundary adjustment proposals made to me, I consider only the request made by PLC is of a scale which I am able to consider. The scale, and, or nature of the land the subject of the remaining requests is too significant and would need to be considered in future boundary adjustment processes.

In regards to the PLC request, adjusting the boundary as requested so that all school property is removed from the proposed council area (i.e. removing land from existing Ashfield LGA), would affect properties that are not owned by the school and have not been consulted regarding this change. For this reason I recommend:

- ▶ the boundary of Ashfield LGA be adjusted to consolidated PLC owned properties into the Burwood LGA, with the boundary running along Hennessey Street to the corner of College Street and then to Anthony Street (excluding properties owned by PLC which are intermixed with properties that are not owned by PLC).

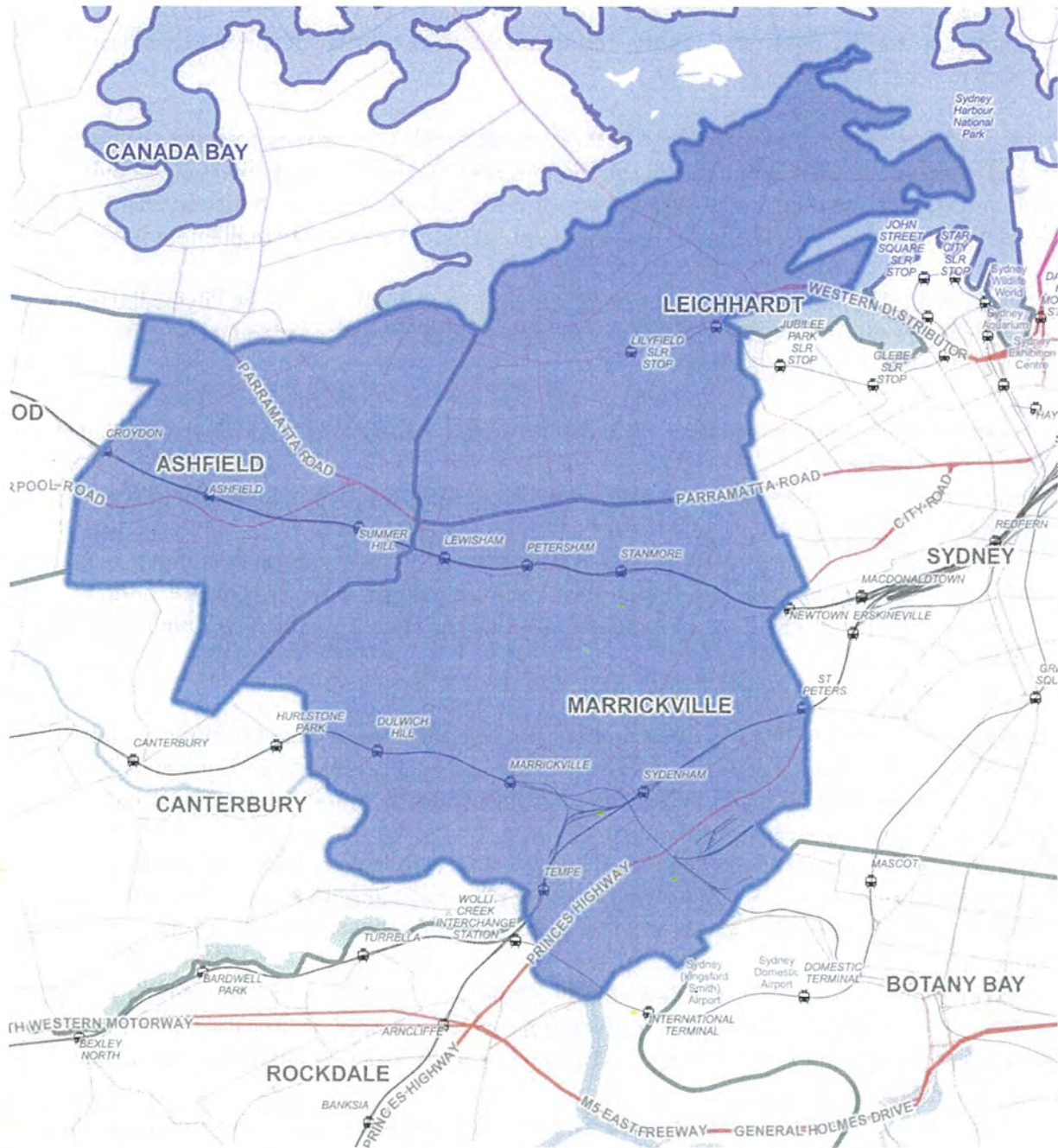
The existing boundary is shown below, together with the suggested boundary adjustment illustrated by the red dashed line below.

**Suggested boundary adjustment around PLC property (red dashed line)**





## 10. THE NEW BOUNDARY



### Proposed merger: Ashfield, Leichhardt and Marrickville

- Proposal Area
- Current LGA Boundaries
- Suburbs

Source: NSW Government, Merger Proposal: Ashfield Council, Leichhardt Municipal Council, Marrickville Council, January 2016

## **11. RECOMMENDATIONS**

As Delegate, I have considered the merger proposal announced by the Minister for Local Government in January 2016 to merge the councils of Ashfield, Leichhardt and Marrickville local government areas to form a new entity.

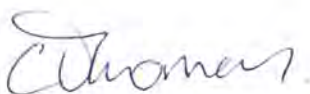
Having considered the merger proposal, the written and verbal submissions presented to me by the affected councils, the written and verbal submissions provided to me by members of the public and community groups and other material, having regard to the factors set out in section 263(3) of the *Local Government Act 1993*, I consider that the proposal should proceed to implementation.

The use of Wards in a merged council is supported, with ward boundaries to be developed by the new council to promote cohesion and community representation in the enlarged LGA. The following should also be considered:

- ▶ a minor boundary adjustment relating to the Presbyterian Ladies College Sydney, detailed in this report, be made,
- ▶ consideration, in a future boundary adjustment process, be given to boundary adjustments relating to:
  - including the suburbs of Ashbury and Hurlstone Park into new council boundary;
  - removing the Cook River Intermodal Terminal from the new council boundary; and,
  - removing land occupied by the Sydney Airport Corporation from the new council boundary.

I note significant benefits of the proposal are:

1. The proposal fits with the NSW Government's broader Local Government reforms to strengthen the role and strategic capacity of local government and enable more opportunities for councils to influence and partner with the NSW and Australian governments to deliver services and provide infrastructure to local communities.
2. The proposal should result in efficiency improvements, with ongoing financial savings outstripping short term transition costs, enabling the new council to invest in maintaining or improving its infrastructure assets and / or augmenting or enhancing its service delivery functions.
3. The communities covered by the new council are similar and well connected, and share similar values and aspirations, especially in regards to protecting items of historical significance and maintaining neighbourhood amenity, and promoting an inclusive, creative and sustainable community.
4. The proposal should enable the new council to meet its obligations under the Charter outlined in section 8 of the *Local Government Act 1993*.



Ms Cheryl Thomas  
DELEGATE

## APPENDIX A – Instrument of Delegation



Office of  
Local Government

Strengthening local government

Ms Cheryl Thomas  
Department of Premier and Cabinet  
GPO Box 5341  
Sydney NSW 2001

cheryl.thomas@dpc.nsw.gov.au

Dear Ms Thomas

The Minister for Local Government has referred proposals to me pursuant to section 218F(1) of the *Local Government Act 1993* for examination and report.

Please find attached an instrument of delegation that delegates certain functions to you as well as a copy of the relevant proposals. If you have any queries about this letter, the attached instrument or the proposals, please do not hesitate to contact either myself on 9289 4050 or Steve Orr on 9228 5518.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tim Hurst'.

Tim Hurst  
Acting Chief Executive  
Office of Local Government

6/1/16

### INSTRUMENT OF DELEGATION

Pursuant to s. 745(1) of the *Local Government Act 1993* (the "LG Act"), I, Tim Hurst, Acting Chief Executive, Office of Local Government, delegate to the persons listed in Part A in respect of the proposals listed opposite in Part B the following functions conferred on me by the LG Act:

1. Examination of and report on one or more proposals referred by the Minister under s. 218F of the *LG Act*; and
2. Any function that is incidental to the function of examining of and reporting on proposals under s. 218F of the *LG Act*.

Signed:  Date: 6/1/16

A/Chief Executive  
Office of Local Government

Part A	Part B
Greg Wright	Armidale Dumaresq and Guyra Shire
Cheryl Thomas	Ashfield, Leichhardt Municipal and Marrickville
Michael Bullen	Auburn City, Holroyd City and Parramatta City (part)
John Roseth	Bankstown City and Canterbury City
Renata Brooks	Bathurst Regional and Oberon
Tim Stubbs	Berrigan Shire and Jerilderie Shire (part)
Richard Pearson	Blayney Shire, Cabonne and Orange City
Renata Brooks	Bombala, Cooma-Monaro Shire and Snowy River Shire
Amanda Chadwick	Boorowa, Harden Shire and Young Shire
Rod Nockles	City of Botany Bay and Rockdale City
Richard Colley	Burwood, City of Canada Bay and Strathfield Municipal
Mike Eden	Conargo Shire and Deniliquin
John Turner	Cootamundra Shire and Gundagai Shire
Mike Eden	Corowa Shire, Lockhart Shire and Urana Shire
Ian Tiley	Dubbo City and Wellington
Ian Tiley	Dungog Shire and Gloucester Shire
John Rayner	Gosford City and Wyong Shire
John Rayner	Goulburn Mulwaree and Palerang (part)
Garry West	Hawkesbury City and The Hills Shire (part)
Garry West	Hornsby Shire (part) and Ku-ring-gai
Rob Lang	Hunter's Hill, Lane Cove and City of Ryde

<b>Part A</b>	<b>Part B</b>
Mike Allen	Hurstville City and Kogarah City
Greg Wright	Kiama Municipal and Shoalhaven City
Michael Bullen	Manly, Mosman Municipal and Warringah (part)
Cheryl Thomas	Murray Shire and Wakool Shire
Tim Stubbs	Jerilderie Shire (part) and Murrumbidgee Shire
Ian Reynolds	Newcastle City and Port Stephens
Ian Reynolds	North Sydney and Willoughby City
Richard Colley	Parramatta City (part), Auburn City (part), The Hills Shire (part) and Hornsby Shire (part)
Richard Pearson	Pittwater and Warringah (part)
John Turner	Palerang (part) and Queanbeyan City
Rob Lang	Randwick City, Waverly and Woollahra Municipal
Mike Allen	Shellharbour City and Wollongong City
Amanda Chadwick	Tamworth Regional and Walcha
Rod Nockles	Tumbarumba Shire and Tumut Shire

M 6/1/15



Merger Proposal:

**Ashfield Council**

**Leichhardt Municipal Council**

**Marrickville Council**

JANUARY 2016

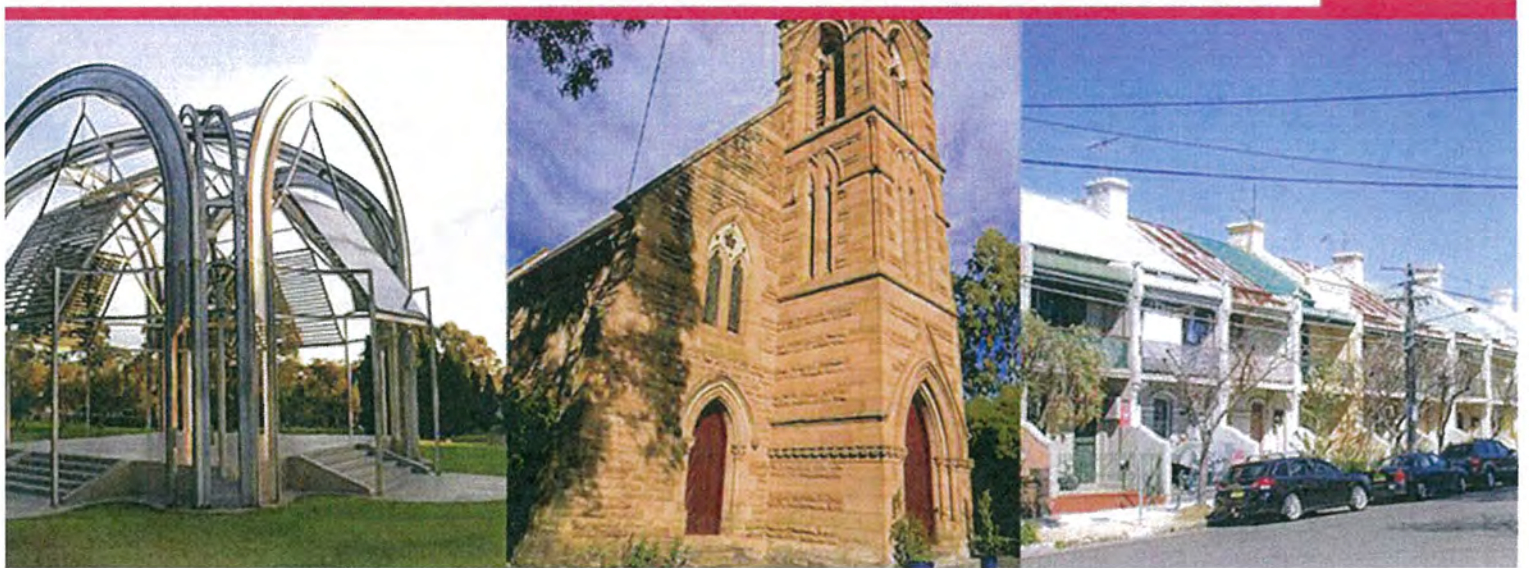
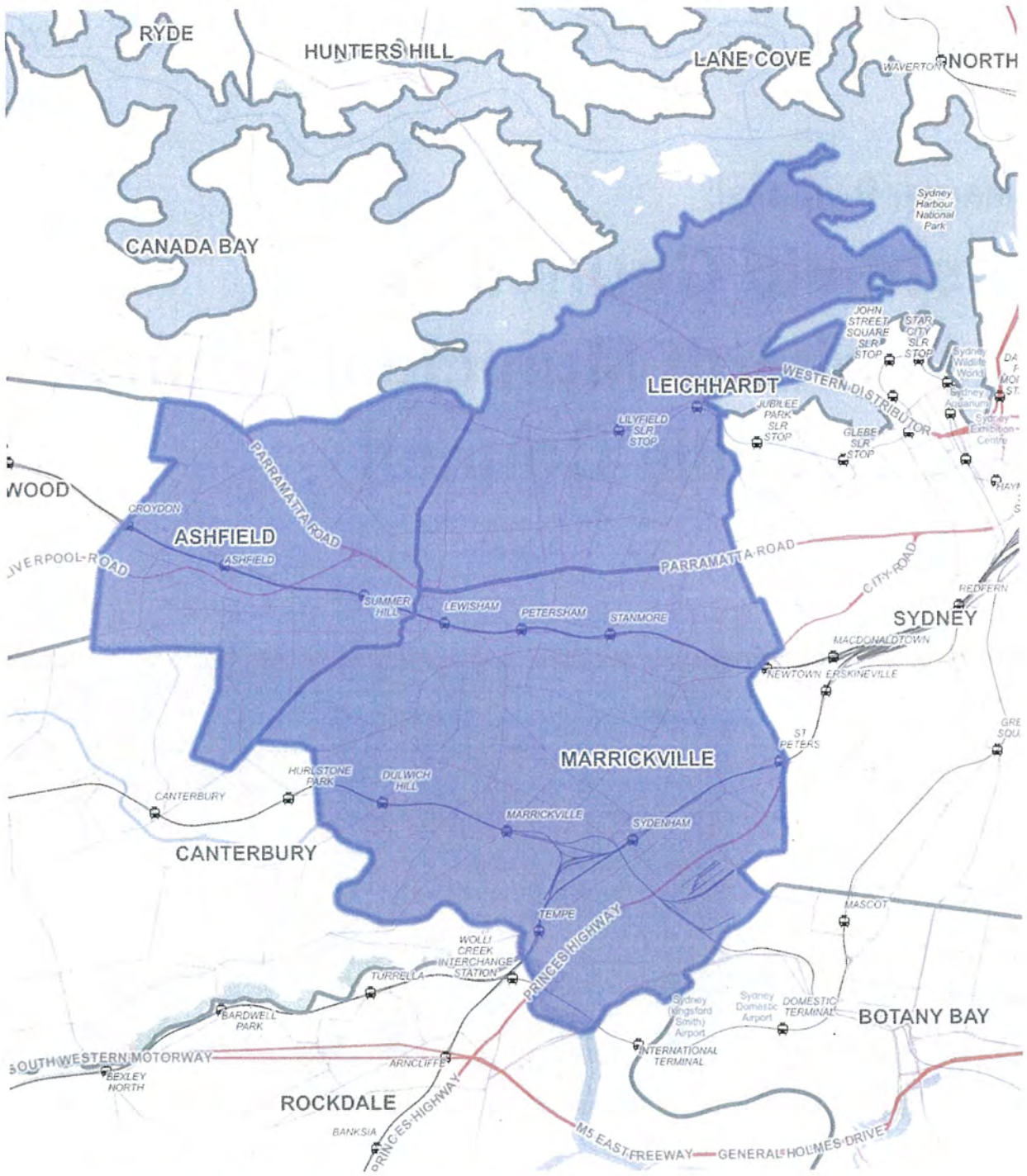


Figure 1: Proposed new local government area



# Proposed merger: Ashfield, Leichhardt and Marrickville

- Proposal Area
- Current LGA Boundaries
- Suburbs
- Waterbodies
- Open space
- Roads
- Rivers
- Rail

Data sources: Land and Property Information  
 Datum and Projection: GDA94





# MINISTER'S FOREWORD

Four years of extensive consultation, research and analysis have demonstrated that change is needed in local government to strengthen local communities.

Independent experts have concluded that NSW cannot sustain 152 councils – twice as many as Queensland and Victoria.

After considering the clear need for change, the Independent Local Government Review Panel (ILGRP) research and recommendations, the assessment of councils by the Independent Pricing and Regulatory Tribunal (IPART), council merger preferences, community views and the unique needs and characteristics of each area, I am putting forward the proposal to merge the local government areas of Ashfield, Leichhardt and Marrickville.

The proposed merger will create a council better able to meet the needs of the community into the future and will provide significant benefits for the community.

This document details the benefits the merger will provide to communities, including:

- a total financial benefit of \$113 million over a 20 year period that can be reinvested in better services and more infrastructure;
- a projected 61 per cent improvement in annual operating results;
- potentially reducing the reliance on rate increases through Special Rate Variations (SRVs) to fund local infrastructure;
- reducing the reliance on rate increases through Special Rate Variations to fund local infrastructure;
- greater capacity to effectively manage and reduce the infrastructure backlog across the three councils;
- improved strategic planning and economic development to better respond to the changing needs of the community;
- effective representation by a council with the required scale and capacity to meet the future needs of the community; and
- providing a more effective voice for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments.

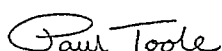
With the merger savings, the NSW Government funding of \$25 million – and a stronger voice – the new council will be better able to provide the services and infrastructure that matter to the community, projects like:

- improving local roads;
- investing and maintaining parks and open spaces to meet the recreation needs of residents; and
- completing the missing links in the area's bike network with the aim of creating direct and safe pedestrian and cycling environment with improved signage.

The savings, combined with the NSW Government's policy to freeze existing rate paths for four years, will ensure that ratepayers get a better deal.

A suitably qualified delegate of the Chief Executive of the Office of Local Government will consider this proposal against criteria set out in the *Local Government Act (1993)*, and undertake public consultation to seek community views.

I look forward to receiving the report on the proposal and the comments from the independent Boundaries Commission.



Minister Paul Toole

January 2016

# EXECUTIVE SUMMARY

The communities of Ashfield, Leichhardt and Marrickville share many common characteristics and connections, including strong cultural diversity, and will benefit by up to \$113 million from a merged council with a stronger capability to deliver on community priorities and meet the future needs of its residents.



## Introduction

This is a proposal by the Minister for Local Government under section 218E(1) of the *Local Government Act (1993)* for the merger of the Ashfield, Leichhardt Municipal and Marrickville local government areas.<sup>1</sup> This merger proposal sets out the impacts, benefits and opportunities of creating a new council.

The creation of this new council will bring together communities with similar expectations in terms of demands for services, infrastructure and facilities.

The proposal has been informed by four years of extensive council and community consultation and is supported by independent analysis and modelling by KPMG.

In 2015, the Independent Pricing and Regulatory Tribunal (IPART) assessed that each of these three councils is 'not fit' to remain as a standalone entity.

IPART determined that Ashfield, Leichhardt Municipal and Marrickville councils each satisfy key financial performance benchmarks. However, IPART assessed that operating individually, each council has limited scale and capacity to effectively deliver on behalf of residents and meet future community needs.

The new council for the new local government area will not only oversee an economy that shares many similar residential, workforce and industry characteristics, but will have enhanced scale and capacity to help it deliver on local infrastructure priorities such as planning for affordable housing

and seniors housing, and building a sustainable urban region.

## Impacts, Benefits and Opportunities

A range of benefits and opportunities have been identified from the proposed merger, including a stronger balance sheet to meet local community needs and priorities.

Analysis by KPMG shows the new council has the potential to generate net savings to council operations. The merger is expected to lead to around \$88 million in net financial savings over 20 years.

Council performance will also be improved with a projected 61 per cent increase in annual operating results achieved within 10 years.<sup>2</sup> This means that there will be a payback period of three years after which the merger benefits will exceed the expected merger costs.

The analysis also shows the proposed merger is expected to generate, on average, around \$7 million in savings every year from 2020 onwards. Savings will primarily be from the removal of duplicate back office and administrative functions; streamlining of senior management roles; efficiencies from increased purchasing power of materials and contracts; and reduced expenditure on councillor fees.<sup>3</sup>

The NSW Government has announced a funding package to support merging councils which would

<sup>1</sup> The end result if the proposal is implemented is that a new local government area will be created. For simplicity throughout this document, we have referred to a new council rather than a new local government area.

<sup>2</sup> Operating results refer to the net financial position after subtracting total expenditure from total revenue in a given financial year.

<sup>3</sup> NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

result in \$25 million being made available should the proposed merger proceed.

These savings may enable the new council to reduce its reliance on rate increases to fund new and improved community infrastructure.

Two of the three councils have recently received approval for Special Rate Variations (SRVs) from IPART. For example:

- Marrickville Council has an approved SRV of 3.0 per cent for a one-year period in 2015–16; and
- Ashfield Council has an approved cumulative SRV of 26.6 per cent over a four-year period from 2015–16.

The proposed merger is also expected to result in simplified council regulations for residents and businesses in the Ashfield, Leichhardt Municipal and Marrickville council areas given each council is currently responsible for separate and potentially inconsistent regulatory environments. Regulatory benefits include consistency in approaches to development approvals, health and safety, building maintenance, traffic management and waste management.

The proposed merger will provide significant opportunities to strengthen the role and strategic capacity of the new council to partner with the NSW and Australian governments on major infrastructure projects, addressing urban socio-economic challenges, delivery of services and focus on regional priorities.

This could assist in:

- reducing the existing \$65 million infrastructure backlog across the Ashfield, Leichhardt and Marrickville area;
- delivering urban priorities such as transport links across the area;
- stimulating small business start-ups and contributing to lower unemployment; and
- supporting economic growth and urban development while enhancing the standard of living and lifestyle that local residents value.

While a merged council will increase the current ratio of residents to elected councillors, the new ratio is likely to be comparable with levels in other communities across Sydney.

### Next Steps

This merger proposal will be referred for examination and report under the *Local Government Act (1993)*.

Local communities have an important role to play in helping ensure the new council meets their current and future needs for services and infrastructure and will have an opportunity to provide input on how the new council should be structured.

Local communities will have an opportunity to attend the public inquiry that will be held for this merger proposal and an opportunity to provide written submissions. For details please visit [www.councilboundaryreview.nsw.gov.au](http://www.councilboundaryreview.nsw.gov.au)

Figure 2: Map showing boundaries for the proposed new council within Greater Sydney with Blacktown City Council highlighted for comparison



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# INTRODUCTION

## This merger proposal has been informed by an extensive four-year consultation and review process.

The NSW Government has been working with local councils and communities since 2011 to strengthen council performance and ensure local government is well placed to meet future community needs.

A first key step in that process was the Independent Local Government Review Panel's (ILGRP) comprehensive review of local government and subsequent recommendations for wide-ranging structural reform and improvements to the system. In response, the NSW Government initiated the *Fit for the Future* reforms that required each local council to self-assess against key performance indicators and submit proposals demonstrating how they would meet future community needs.

The NSW Government appointed IPART in 2015 to assess each council's submission. IPART has now completed its assessment of 139 proposals (received from 144 councils) and concluded 60 per cent of councils are 'not fit' for the future. Many of these councils did not meet the elements of the 'scale and capacity' criterion (refer Box 1 below).

Ashfield, Leichhardt and Marrickville councils each submitted *Fit for the Future* proposals to remain as standalone councils. In assessing each council's submission, IPART determined that all three councils are 'not fit' to stand alone and that a merger is needed to achieve the required scale and capacity to meet the needs of residents now and in the future. This proposal aligns with the merger preferences submitted by all three councils following the IPART assessment process.

*Box 1 Overview of scale and capacity*

### Key elements of 'scale and capacity'

Scale and capacity is a minimum requirement as it is the best indicator of a council's ability to govern effectively and provide a strong voice for its community. At a practical level, this includes being able to:

- undertake regional planning and strategic delivery of projects;
- address challenges and opportunities, particularly infrastructure backlogs and improving financial sustainability;
- be an effective partner for the NSW and Australian governments on delivering infrastructure projects and other cross-government initiatives; and
- function as a modern organisation with:
  - staffing capacity and expertise at a level that is currently not practical or economically possible for small councils;
  - innovative and creative approaches to service delivery; and
  - the resources to deliver better training and attract professionals into leadership and specialist roles.

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# A NEW COUNCIL FOR THE ASHFIELD, LEICHHARDT AND MARRICKVILLE AREA

The proposed new council will be responsible for infrastructure and service delivery to around 185,000 residents across Ashfield, Leichhardt and Marrickville area of Sydney.

The creation of a new council provides the opportunity to bring together the communities from across the local government areas of Ashfield, Leichhardt and Marrickville. These communities have key similarities in their occupations, lifestyles and socio-economic profiles as residents of the Inner West region of Sydney.

The new council will be responsible for infrastructure and service delivery to more than 223,000 residents by 2031. This reflects the expected population growth across the area of 1.0 per cent per annum.<sup>4</sup>

The proposed merger aligns with the approach of the NSW Government's Sydney Metropolitan Plan (known as *A Plan for Growing Sydney*). The Plan also identifies the importance of adopting a coordinated approach to managing the expected population growth across the Ashfield, Leichhardt and Marrickville area and the need to plan for, and respond to, the changing service and infrastructure needs of these communities. The NSW Government has identified a number of regional priorities that are directly relevant to the proposed new council. For example:

- delivering the Bays Precinct urban renewal program;
- delivering WestConnex, linking Sydney's west and south-west with the CBD, Sydney Airport and Port Botany;
- planning for major urban renewal in communities along the Parramatta Road corridor;
- planning for urban renewal along the length of the Inner West Light Rail extension; and
- protecting the natural environment, the visual amenity of the harbour foreshore, and the health of waterways such as Sydney Harbour and the Cooks River.

A new council with appropriate scale and capacity will be better able to partner with the NSW Government on the implementation of these urban priorities.





The establishment of a new council will also provide an opportunity to generate savings and efficiencies and reduce the current duplication of back-office functions, senior executive positions and potentially the many layers of current regulations. Any savings generated by a merger of these three councils could be redirected to improving local community infrastructure, lowering residential rates and/or enhancing service delivery. An overview of the current performance of the three existing councils and the projected performance of the new proposed entity is provided in Figure 3.

In addition, while IPART found each of the three councils satisfy financial performance criteria, it also found that each council's ability to effectively advocate for community priorities is affected by a lack of scale and capacity. A merged council will improve this, with an enhanced scale and capacity to better plan and coordinate investment in critical infrastructure and services. This should also put the new council in a better position to advocate to the NSW and Australian governments for the regional investments that will be needed for the future.

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<sup>4</sup> NSW Department of Planning & Environment (2014), NSW Projections (Population, Household and Dwellings).

Figure 3: Council profiles<sup>5</sup>

	Ashfield Council	Leichhardt Municipal Council	Marrickville Council	New Council	
					
<b>Population (2014)</b>	44,498	58,136	83,356	185,990	
<b>Area</b>	8 sq km	11 sq km	17 sq km	35 sq km	
<b>IPART Rating</b>	NOT FIT	NOT FIT	NOT FIT	<p>This merger proposal is broadly consistent with the findings of the ILGRP (2013) and IPART's Fit for the Future assessments (2015). The new council will likely have enhanced scale and capacity to better meet the future service and infrastructure needs of the community.</p>	
<b>Operating Revenue (2013–14)</b>	\$36.5m	\$87.4m	\$98.2m		\$263.6m (projected 2019–20)
<b>Operating Result (2013–14)</b>	\$0.6m	\$13.0m	\$3.7m		+\$11.1m projected improvement to 2019–20 operating results
<b>Asset Base</b>	\$206.9m	\$486.1m	\$672.1m		\$1.3bn
<b>Infrastructure Backlog</b>	12 per cent	7 per cent	1 per cent		5 per cent

Sources: Australian Bureau of Statistics, Department of Planning and Environment, Office of Local Government, Council Long Term Financial Plans, Fit for the Future submissions to IPART and IPART Assessment of Council Fit for the Future Proposals.

Note: Totals may not sum due to rounding. Estimates of the new council's operating performance and financial position is based on an aggregation of each existing council's projected position as stated in respective Long Term Financial Plans (2013–14). In addition, it is assumed efficiency savings are generated from a merger, and this is reflected in the projected 2019–20 operating result for the new council. Further details are available in NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

<sup>5</sup> 2013-14 operating revenue figures were corrected on 20 January 2016.

# BENEFITS, OPPORTUNITIES AND IMPACTS

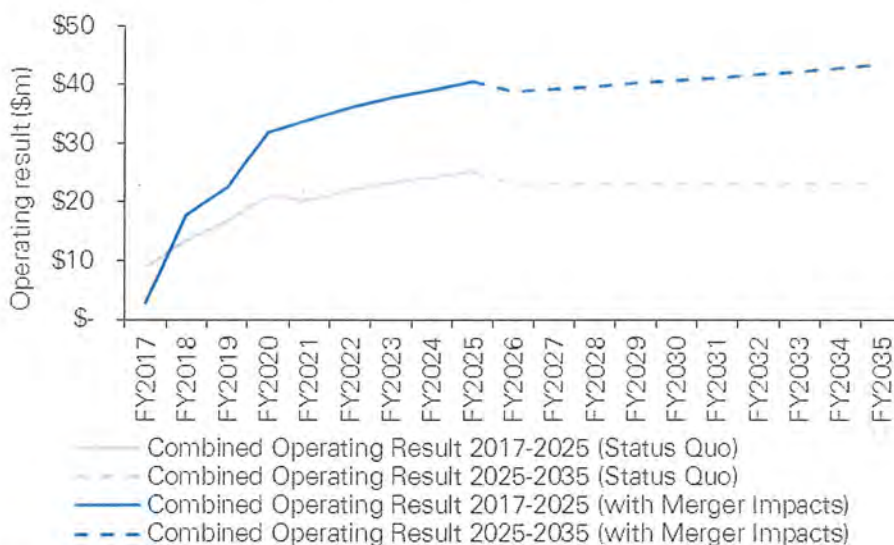
The proposed merger has the potential to provide a \$113 million benefit to communities over 20 years which could be support invested in critical local infrastructure and services and/or be utilised to address rate pressures.

## Financial Benefits of the Proposed Merger

Analysis by KPMG in 2015 shows the proposed merger has the potential to generate a net financial savings of \$88 million to the new council over 20 years. Council performance will also be improved with a projected 61 per cent increase in annual operating results achieved within 10 years. The proposed merger is also expected to generate, on average, around \$7 million in savings every year from 2020 onwards.<sup>6</sup>

Consequently, the merged council will have a balance sheet that is stronger and in a better position to meet local community needs and priorities. Figure 4 illustrates how the proposed merger will lead to growing improvements in the operating performance of the new council compared to the current projected operating performance of each of the three councils.

Figure 4: Projected operating results of the Ashfield, Leichhardt Municipal and Marrickville councils, with and without a merger



Note: Operating results refers to the net financial position and is calculated as operating revenue less operating costs. It excludes revenue associated with capital grants and expenditure on capital items.

Source: Council Long Term Financial Projections (2013–14).

Gross savings over 20 years are modelled to be due to:

- removal of duplicate back office and administrative functions and streamlining senior management roles (\$84 million);
- efficiencies generated through increased purchasing power of materials and contracts (\$11 million); and
- a reduction in the overall number of elected officials that will in turn reduce expenditure on councillor fees (estimated at \$4 million).<sup>7</sup>

In addition, the NSW Government has announced a funding package to support merging councils which would result in \$25 million being made available should the proposed merger proceed. The implementation costs associated with the proposed merger (for example, information and communication technology, office relocation, workforce training, signage, and legal costs) are expected to be surpassed by the accumulated

<sup>6</sup> NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

<sup>7</sup> NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

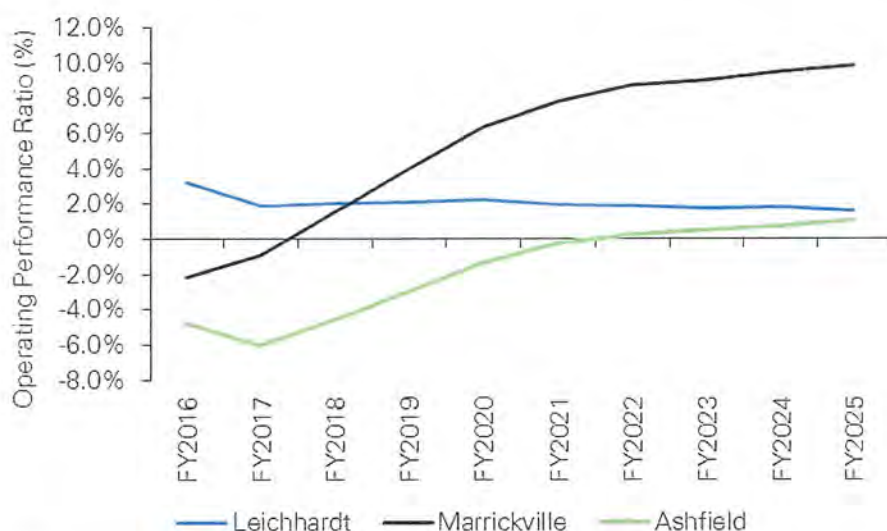
net savings generated by the merger within a three year payback period. The Local Government Act contains protections for three years for all council employees below senior staff level.

Merger benefits could be reinvested to:

- improve infrastructure – annual savings could be redeployed towards infrastructure renewal or capital works, including projects such as improving local roads and cycleways. Redeployment of savings could lead to cumulative additional infrastructure expenditure of almost \$88 million over 20 years;
- enhance service delivery – removal of duplicate back office and administration functions could provide the basis for employing an additional 66 staff for frontline services. This could include services such as library services and waste management services; and/or
- reduce rate pressures – annual savings could be used to reduce the existing dependency on SRVs to fund community infrastructure and/or avoid future rate increases.

The expected operating performance ratio of each council over the next 10 years is illustrated in Figure 5.<sup>8</sup>

Figure 5: Projected operating performance ratio by council (2016–2025)



Note: Operating performance ratio measures a council's ability to contain operating expenditure within operating income.

Source: Council Long Term Financial Plans (2013–14).

Both Marrickville and Ashfield show improving ratios, which is partly driven by increases in rate income as a result of the councils' approved SRVs. This merger proposal will provide the new council with the opportunity to strengthen its balance sheet and provide a more consistent level of financial performance. Overall, the proposed merger is expected to enhance the financial sustainability of the new council through:

- net financial savings of \$88 million to the new council over 20 years;
- a forecast 61 per cent increase in the operating result of the merged entity within 10 years;
- achieving efficiencies across council operations through, for example, the removal of duplicated back office roles and functions and streamlining senior management;
- establishing a larger entity with a broad operating revenue that is expected to exceed \$303 million per year by 2025;
- an asset base of approximately \$1.3 billion to be managed by the merged council; and
- greater capacity to effectively manage and reduce the infrastructure backlog across the area by maintaining and upgrading community assets and improving services.

<sup>8</sup> Calculation of a council's operating performance ratio excludes any grants received from the council's reported operating revenue. This enables comparison of council operating performance based on own-source revenue.



## Opportunities for Improved Services and Infrastructure

The efficiencies and savings generated by the merger will allow the new council to invest in improved service levels and/or a greater range of services and address the current infrastructure backlog across the three councils. Examples of local infrastructure priorities that could be funded by merger-generated savings include projects like:

- improving local roads;
- investing and maintaining parks and open spaces to meet the recreation needs of residents; and
- completing the missing links in the area's bike network with the aim of creating direct and safe pedestrian and cycling environment with improved signage.

The councils are currently focusing their operational budget spend on improvements to recreational facilities and transportation. A merged council could continue this prioritisation and would have greater capacity to better coordinate projects and related community initiatives.

## Regulatory Benefits

There are currently 152 separate regulatory and compliance regimes applied across local council boundaries in NSW. These many layers of regulations are making it hard for people to do business, build homes and access services they need. NSW businesses rated local councils as second to only the Australian Tax Office as the most frequently used regulatory body, and highest for complexity in dealings.<sup>9</sup>

It can be expected that the proposed merger will result in simplified council regulations for many Ashfield, Leichhardt and Marrickville residents and businesses. Ashfield, Leichhardt Municipal and Marrickville councils are each responsible for separate and potentially inconsistent regulatory environments. A merged council provides an opportunity to streamline and harmonise regulations.

Adopting best practice regulatory activities will generate efficiencies for a merged council and benefit local residents and businesses. For example:

- a small business owner with outlets across the Ashfield, Leichhardt and Marrickville area will have just a single local council regulatory framework to understand and comply with;
- the compliance burden for a retail outlet owner with multiple outlets across neighbouring suburbs (currently in different local council areas) will be reduced and simplified; and
- residents can have greater confidence that development applications will be subject to a more uniform process than the existing variations in regulations that can add to the cost and complexity of home renovations and building approvals.

## Impact on Rates

Two of the three councils have recently received approval for SRVs from IPART to fund community infrastructure:

- Marrickville Council has an approved SRV of 3.0 per cent for a one-year period in 2015–16; and
- Ashfield Council has an approved cumulative SRV of 26.6 per cent over a four-year period from 2015–16.

The savings generated by a merger may enable the new council to reduce reliance on rate increases to fund community infrastructure.

In addition, the proposed merger will bring together a range of residential and business premises across the area, providing the new council with a large rate base on which to set ratings policies and improve the sustainability of council revenue. Table 1 outlines the mix of business and residential rating assessments that underpin current rate revenue across the area.

<sup>9</sup> NSW Business Chamber (2012), Red Tape Survey.

Table 1: Comparison of rateable businesses and residential properties (total and percentage share)

Council	Business rating assessments		Residential rating assessments	
Ashfield Council	834	5%	15,141	95%
Leichhardt Municipal Council	1,833	8%	22,347	92%
Marrickville Council	3,238	10%	30,217	90%
Merged council	5,905	8%	67,705	92%

Source: NSW Office of Local Government, Council Annual Data Returns (2013–14).

## Local Representation

The ratio of residents to elected councillors in each of the three councils is markedly different. This reflects the wide variation in resident populations. While the proposed merger will increase the ratio of residents to elected councillors, the ratio, based on councillor numbers in the existing councils, is likely to be similar to those currently experienced in other Sydney councils, including the more populous Blacktown City Council (Table 2). For the purpose of analysis of merger benefits, this proposal has assumed that the new Council will have the same number of councillors as each of the current councils do. The Government welcomes feedback through the consultation process on the appropriate number of councillors for the new council.

Some councils in NSW have wards where each ward electorate elects an equal number of councillors to make up the whole council. Community views on the desirability of wards for a new council will be sought through the consultation process.

Table 2: Changes to local representation in Ashfield, Leichhardt and Marrickville

Council	Number of councillors	Number of residents (2014)	Residents per councillor
Ashfield City Council	12	44,498	3,708
Leichhardt Municipal Council	12	58,136	4,845
Marrickville Council	12	83,356	6,946
Merged council	12*	185,990	15,499
Blacktown City Council	15	325,139	21,676

\* Ashfield, Leichhardt and Marrickville communities will have an opportunity to shape how a new merged council will be structured, including the appropriate number of elected councillors. Fifteen elected councillors is the maximum number currently permitted under the NSW Local Government Act (1993).

Source: Australian Bureau of Statistics, Estimated Resident Population 2013; and NSW Office of Local Government, Council Annual Data Returns (2013–14).

The new council will be in a position to use its larger scale and capacity to more effectively advocate for the needs of the Ashfield, Leichhardt and Marrickville communities. As the new council will represent a more significant share of Sydney's population, and have a substantial economic base, it will be able to negotiate more effectively on behalf of its residents. It will also be able to develop improved strategic capacity to partner with the NSW and Australian governments, including on major infrastructure initiatives, community services and urban planning and development.

The many ways communities currently engage with these councils will continue, including through public forums, committees, surveys and strategic planning. Councillors will continue to represent local community interests and will have the opportunity to take a more regional approach to economic development and strategic planning.

# THE LOCAL COMMUNITY

The Inner West communities of Ashfield, Leichhardt and Marrickville share common characteristics and connections. The proposed new council will have enhanced scale and capacity and be better placed to shape and deliver the economic development, community services, and infrastructure that underpin the lifestyle of these communities.

## Geography and Environment

Located within Sydney's Inner West region, Ashfield, Leichhardt and Marrickville local government areas are all situated within ten kilometres of the centre of Sydney's CBD. These inner-city areas contain important heritage and cultural sites and also feature significant urban development to accommodate high-density populations. Gentrification of some of the areas within the Ashfield, Leichhardt and Marrickville councils, particularly those closer to the city, has seen a shift in the demographic profiles of those areas and highlights the need for effective land use planning.

The proposed council would be able to plan for communities and coordinate growth and the delivery of infrastructure along both sides of the eastern section Parramatta Road (rather than three separate councils). The new council would also be able to plan for and deliver urban renewal and local infrastructure along areas of the Inner West Light Rail Line that were previously planned for three local government areas.

## Local Economy

The local government areas of Ashfield, Leichhardt and Marrickville contribute nearly \$10 billion to the NSW economy, equivalent to two per cent of the Gross State Product.<sup>10</sup> Characteristics of the local economy include:

- an average household income close to or above the metropolitan average of \$89,210: Ashfield (\$88,349), Marrickville (\$96,043), Leichhardt (\$118,669);
- lower rates of unemployment compared to the metropolitan average of 5.4 per cent in Ashfield (4.7 per cent) and Leichhardt (3.5 per cent), but higher in Marrickville (7.4 per cent);
- employment growth which varies in comparison with the metropolitan average of 1.6 per cent: Leichhardt (0.9 per cent), Ashfield (1.5 per cent) and Marrickville (2.0 per cent); and
- educational attainment rates (the proportion of residents holding a post-school qualification) above the metropolitan average of 59 per cent: Marrickville (66 per cent), Ashfield (68 per cent) and Leichhardt (74 per cent).

Table 3 provides a snapshot of the local business profile of each council. More than 18,000 local businesses across the area contribute more than 92,000 jobs to the local economy. The area has strong employment in the Health Care and Social Assistance sector -- the largest sector within the Ashfield local government area. The largest employment sector in the proposed council will be Professional, Scientific and Technical Services, which provides a strong economic foundation for the new council.

The NSW Government's Household Travel Survey highlighted similar travel patterns across the three existing council areas. Approximately 30 per cent of residents across the area travel for social and recreation purposes and 18 per cent for commuting to work.<sup>11</sup> Specifically, around 35 per cent of Leichhardt and Marrickville residents commute to the Sydney CBD for work compared to about 20 per cent of Ashfield residents.

While residents typically commute to a workplace outside their council area, the area is relatively self-contained and well-connected in relation to:

<sup>10</sup> Regional Development Australia, Sydney Metropolitan Region economic Baseline Assessment – Update, August 2015; and Australian Bureau of Statistics (2014), Australian National Accounts: State Accounts 2013–14, Canberra.

<sup>11</sup> Transport for NSW, Bureau of Transport Statistics, Household Travel Survey Data 2012–13, released November 2014.

- health services, especially through the Royal Prince Alfred Hospital, Sydney Private Hospital and the Macquarie University outpatient clinic and research centre in Summer Hill;
- extensive retail services, through the Marrickville Metro Shopping Centre, Norton Plaza and Ashfield Mall; and
- transport infrastructure connecting the three councils to the Sydney CBD.

Table 3: Local business and employment profile

Council	Number of businesses	Local jobs	Largest sector
Ashfield Council	3,736	20,618	Health Care & Social Assistance
Leichhardt Municipal Council	7,112	30,003	Professional, Scientific & Technical Services
Marrickville Council	7,674	41,876	Professional, Scientific & Technical Services
<b>Merged council</b>	<b>18,522</b>	<b>92,497</b>	<b>Professional, Scientific &amp; Technical Services</b>

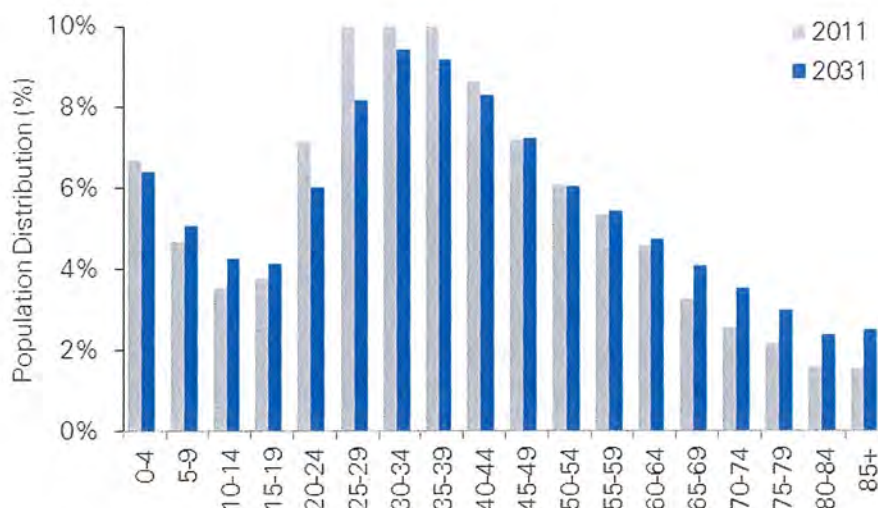
Source: Australian Bureau of Statistics, Business Counts and Employment by Industry (2014).

The business profile across the area and the corresponding workforce will require relatively similar services and infrastructure, particularly in relation to maintaining and upgrading transport links to the Sydney CBD. A merged council will be better placed to deliver these services and infrastructure in a coordinated manner.

## Population and Housing

The new council will be responsible for infrastructure and service delivery to more than 223,000 residents by 2031. The Ashfield, Leichhardt and Marrickville area is culturally diverse with a relatively low ratio of children to adults of parenting age, and a low proportion of elderly people, reflecting the areas' proximity to Sydney's CBD (Figure 6). This population distribution is expected to shift over time with an increase in the proportion of the population aged over 65 years.

Figure 6: Change in population distribution, by age cohort (2011 v 2031)



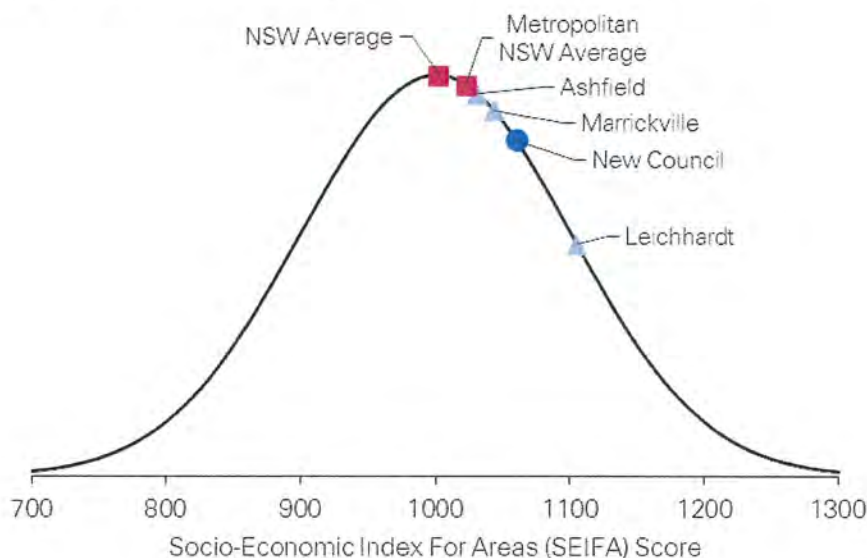
Source: NSW Department of Planning & Environment, 2014 NSW Projections (Population, Household and Dwellings).

A strong council with the appropriate scale and capacity is needed to respond and adapt to the changing service needs of the community. With the high proportion of professionals and managers living in the area, transport links are increasingly important for commuting residents. An ageing population is likely to increase

demand for community health services, creation and maintenance of accessible parks and leisure areas and community outreach services.

In comparison with the rest of Sydney, the Ashfield, Leichhardt and Marrickville communities are relatively advantaged from a socio-economic standpoint. The Socio-Economic Index for Areas (SEIFA), illustrated in Figure 7, measures a range of factors to rate an individual council's relative socio-economic advantage. The Ashfield and Marrickville councils have similar socio-economic profiles with SEIFA scores that are above the NSW and metropolitan averages, while Leichhardt has a socio-economic profile above the NSW and metropolitan averages. This reflects the characteristics across the Ashfield, Leichhardt and Marrickville communities in relation to, for example, household income, education, employment and occupation.

Figure 7: Comparison of councils' socio-economic profile



Source: Australian Bureau of Statistics, SEIFA 2011 by local government area.

Table 4 outlines the current mix of housing types across the area. A merged council provides an opportunity to apply a more regional and strategic focus to planning for the additional 15,800 households and associated amenities that are predicted to be required by 2031. This approach can also help to ensure any pressures and challenges associated with population growth and housing development are not unreasonably concentrated in particular neighbourhoods.

Table 4: Dwelling types in the Ashfield, Leichhardt and Marrickville area (total number and per cent)

Dwelling type	Ashfield Council		Leichhardt Municipal Council		Marrickville Council	
Separate house	6,390	37%	8,403	34%	11,179	32%
Medium density	5,481	32%	10,841	44%	15,283	44%
High density	5,207	30%	5,070	21%	7,441	22%
Other	149	1%	357	1%	588	2%
<b>Total private dwellings</b>	<b>17,227</b>		<b>24,671</b>		<b>34,491</b>	

Source: Australian Bureau of Statistics, Census (2011), Dwelling Structure by local government area.

### Shared Community Values and Interests

These communities are bound by their sense of place as part of Sydney's Inner West. Box 2 below provides examples of the sense of place in the form of the community organisations, services and facilities that have a presence across the area, which indicate strong connections between the communities in the existing council areas.

### Shared regional services and facilities

Examples of community services which operate across the area include:

- the Inner West Courier, a print and online newspaper, is circulated throughout the area;
- the Leichhardt Marrickville Community Transport Group provides transport services for frail aged and younger people with disabilities, and their carers across all the two council areas;
- Ashfield and Leichhardt are part of the Inner West Home and Community Care area, which means that many community care services for the frail aged and respite services for carers are delivered across the council boundaries;
- the Inner West Youth Alliance is a network of youth service providers from across the area; and
- the Child and Family Interagency is a network of agencies that provide services for families and children under the age of eight in the Marrickville and Leichhardt local government areas.

The Ashfield, Leichhardt Municipal and Marrickville councils have already been collaborating in a number of ways:

- all participate in the Southern Sydney Regional Organisation of Councils (SSROC). The role of SSROC is to undertake projects that cross council boundaries, achieving results in procurement of goods and services as well as initiatives that will contribute to the sustainability of the member councils and their communities.<sup>12</sup> SSROC undertakes advocacy, training and practical projects;
- SSROC's Street Lighting Improvement Program seeks to address a number of issues such as compliance with the Public Lighting Code, improved pricing and pricing oversight, technology advancements, and securing grants and other funding;
- through SSROC the councils have undertaken shared telecommunications procurement to achieve cost savings, access broadband and to develop a best practice contract for the supply of telecommunications services;
- through SSROC the councils have been implementing shared library services, including standardising practices across the provision of library services, pooling of procurement and utilisation of external service providers;
- the three councils have benefited from SSROC's investigation of waste management practices and the drafting a set of target outcomes for the waste strategy across the region leading to the creation of the 2014-21 regional Waste Avoidance and Resource Recovery Strategy;
- Our Solar Future is a website run by the local councils to provide advisory services for residents regarding the purchase and installation of solar energy systems; and
- Marrickville and Leichhardt Municipal councils have resolved to collaborate to reinvigorate the live music scene, with a particular focus on Parramatta Road, this is part of a larger shared focus on making Parramatta Road more attractive to visitors and business owners.

The connections between the councils and communities are evident in the existing partnerships and collaborations. A new council will be better placed to deliver these services and projects into the future, without relying on voluntary collaboration with neighbouring areas.

<sup>12</sup> Southern Sydney Regional Organisation of Councils, <http://ssroc.nsw.gov.au/about-us/>, Accessed November 2015.

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# CONCLUSION

This proposal to create a merged council has the potential to provide a range of benefits to local communities, including:

- a \$113 million net financial benefit over a 20 year period that may be used to deliver better community services, enhance infrastructure and/or lower rates;
- a projected 61 per cent improvement in annual operating results that will strengthen the council's balance sheet and free up revenue for critical infrastructure;
- NSW Government funding of \$25 million to meet merger costs and provide a head start on investing in services and infrastructure that the savings from mergers will ultimately support;
- greater efficiencies through the removal of back office and administrative functions, increased purchasing power of materials and contracts, and reduced expenditure on councillor fees all of which are expected, on average, to generate savings of around \$7 million every year from 2020 onward;
- greater capacity to effectively manage and reduce the \$65 million infrastructure backlog across the three councils by maintaining and upgrading community assets;
- reducing the reliance on rate increases through SRVs to fund local community infrastructure projects and services;
- better integrating strategic planning and economic development to more efficiently respond to the changing needs of the community;
- building on the shared communities of interest and strong local identity across the area;
- providing effective representation through a council with the required scale and capacity to meet the future needs of the community; and
- being a more effective advocate for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments.

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## NEXT STEPS

Every community will have an opportunity to help shape a new council for their area.

### Community Engagement

This merger proposal will be referred to the Chief Executive of the Office of Local Government for examination and report under the *Local Government Act (1993)*. The Chief Executive proposes to delegate this function to a suitably qualified person. The delegate will consider this proposal as required under the Act, including against statutory criteria and hold a public inquiry. The delegate will also undertake public consultation to seek community views. The delegate is also required by the Act to provide the delegate's report to an independent Boundaries Commission for review and comment. The Minister for Local Government under the legislation may decide whether or not to recommend to the Governor that the merger proposal be implemented. For the factors a delegate must consider when examining a merger proposal (under Section 263 of the *Local Government Act (1993)*), please refer to the Appendix to this document.

Through the merger assessment process, there will be opportunities for communities and stakeholders to consider merger proposals and have their say. Each merger proposal will be the subject of a public inquiry where the community can hear about and discuss the proposal. Through the consultation process, the delegate will ensure that the opinions of each of the diverse communities of the resulting area or areas will be effectively represented.

Further information about the process is available on the Local Government Reform website at [www.councilboundaryreview.nsw.gov.au](http://www.councilboundaryreview.nsw.gov.au), including:

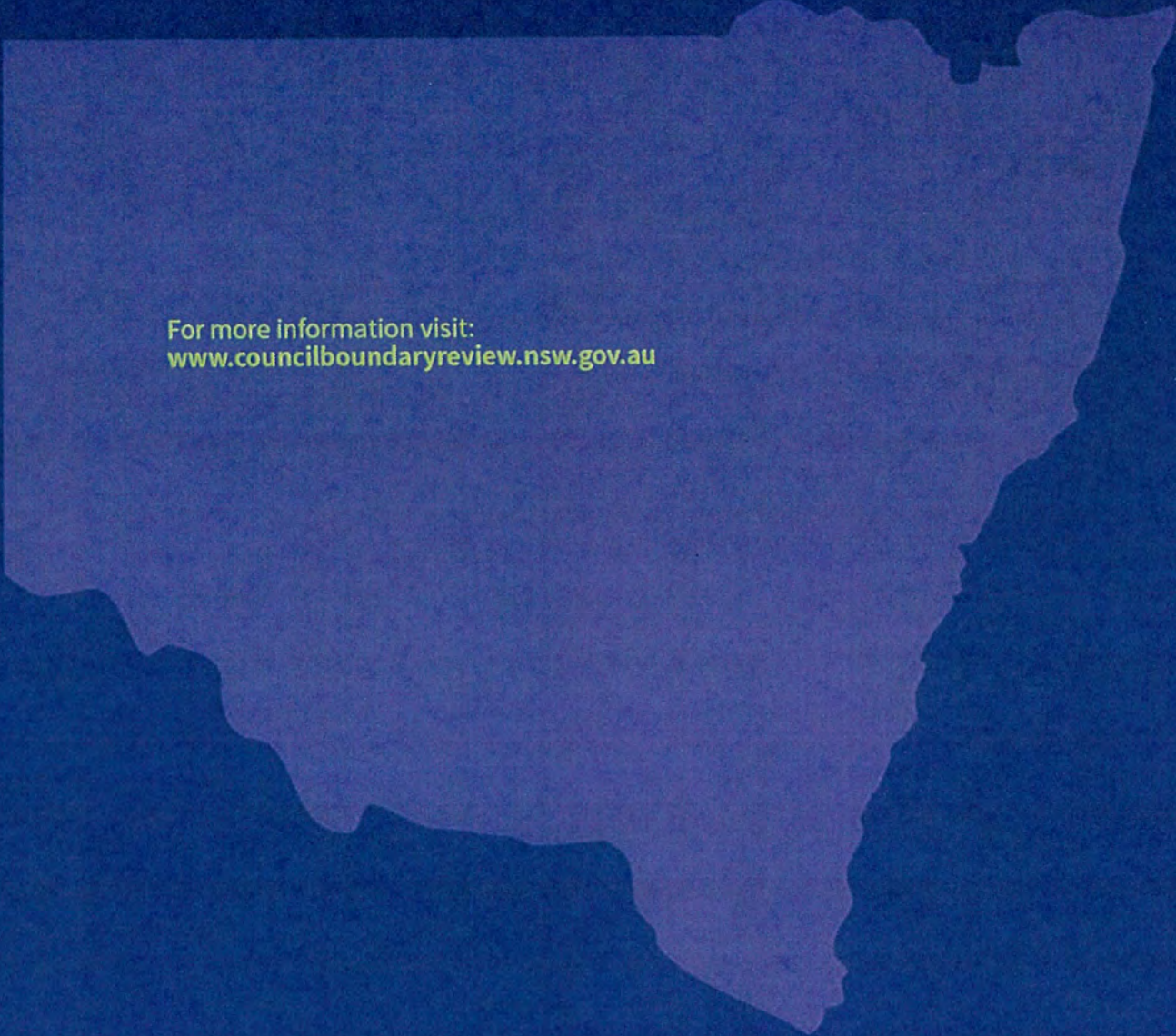
- details about the proposed mergers;
- information about the delegate for your area;
- dates for public meetings; and
- a portal to provide a written submission.



## Appendix

The following table outlines the factors that a delegate must consider under section 263 of the *Local Government Act (1993)* when examining a proposal. The section references outline where the criteria have been addressed in this merger proposal.

<i>Legislative criteria</i>	<i>Section reference</i>
(a) the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned	Benefits, Opportunities and Impacts
(b) the community of interest and geographic cohesion in the existing areas and in any proposed new area	The Local Community
(c) the existing historical and traditional values in the existing areas and the impact of change on them	The Local Community
(d) the attitude of the residents and ratepayers of the areas concerned	There is a public consultation process which includes a public inquiry allowing for the views of residents and ratepayers to be considered.
(e) the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area	Local Representation
(e1) the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities	Benefits, Opportunities and Impacts
(e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned	Financial Benefits of the Proposed Merger
(e3) the impact of any relevant proposal on rural communities in the areas concerned	The Local Community
(e4) in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards	Local Representation
(e5) in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented	Next Steps
(f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas	Benefits, Opportunities and Impacts



For more information visit:  
[www.councilboundaryreview.nsw.gov.au](http://www.councilboundaryreview.nsw.gov.au)

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