



# KU-RING-GAI COUNCIL'S FIT FOR THE FUTURE IMPROVEMENT PROPOSAL

SUBMISSION TO THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL NSW

JUNE 30, 2015

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## Executive Summary

Ku-ring-gai Council is a successful, innovative and financially sound council that is already large by national and international comparisons.<sup>1</sup> This detailed submission validates how Council:

- demonstrates highly effective scale and strategic capacity;
- meets all of the Fit for the Future benchmarks, well within the required timeframes; and
- ensures that our community's long term objectives are delivered through continued prudent fiscal management, sustainable infrastructure, and effective and efficient service delivery.

Council established an internal steering group comprising of executive and senior managers, key professional and technical staff to undertake a comprehensive review of the required elements of the NSW Government's proposal that Ku-ring-gai amalgamate<sup>2</sup> with our neighbour council Hornsby under the Fit for the Future plan.

This prompted us as an organisation to review, debate and analyse how we do business. An additional layer of our review process involved the engagement of independent consultants to assess our asset management processes and provide advice on our technical and financial asset registers. This resulted in the implementation of new processes and the development of new funding strategies in response to the results of these reviews.

It was only after extensive research, analysis, and facilitated amalgamation discussions (with Hornsby) that Council decided not to pursue the option recommended by the Independent Local Government Review Panel (ILGRP) to amalgamate with Hornsby Shire Council. We will clearly demonstrate in this submission, our proposal for "no structural change" is at least as good as, or better than<sup>3</sup> the amalgamation option with Hornsby Shire Council.

An amalgamation with Hornsby Shire Council would be highly unfavourable for the residents and ratepayers of Ku-ring-gai. It would lead to higher rates for Ku-ring-gai residential ratepayers due to disparities in land value, decreased levels of service, reduced representation, exposure to significant risk associated with remediating the Hornsby Quarry, environmental resource management and diminished communities of interest and societal connectedness.

Much of the integrated planning, financial and service review work we have undertaken has established the platform for us to embrace the local government reform agenda.

Council meets all seven Fit for the Future benchmarks by 2016/17, which are maintained or improved thereafter.<sup>4</sup>

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<sup>1</sup> Refer to Table 1 on page 12 of this submission.

<sup>2</sup> It is noted that the words "merge" and "amalgamate" have been used interchangeably in a number of documents. For the purpose of uniformity we will use "amalgamate".

<sup>3</sup> Independent Pricing and Regulatory Tribunal, *Methodology for Assessment of Council Fit for the Future Proposals*, June 2015, p 8.

<sup>4</sup> Refer to completed Template 2.

Council is already a high capacity council, with a strong record in representing and serving its local community on metropolitan issues, and has operated as a true partner of State and Federal agencies, which is demonstrated by:

- its strong record of planned development that meets both metropolitan Sydney and local community objectives;
- its strong record in both integrated planning and land use planning consistent with Sydney's status as a global city; and
- its strong record of planning for its centres consistent with the Metropolitan Strategy and sub-regional delivery plans.

Council has delivered on State Government objectives including for dwelling targets. It has successfully undertaken numerous large scale major projects and has high calibre staff, as recognised by the many awards received in recent years, including the prestigious A R Bluett Award in 2014.

Council has completed a range of consultation and engagement initiatives with the community that included presenting arguments both for and against an amalgamation with Hornsby as well as Council's position to stand alone.

Results from the demographically representative survey signified that 79% of respondent's indicated a preference to stand alone, with 21% preferring to amalgamate with Hornsby Council.

Based on the range of engagement methods, the community has consistently indicated a preference for Council to remain a stand-alone council, and does not support the Independent Local Government Review Panel's recommendation to amalgamate Ku-ring-gai Council with Hornsby Shire Council.

The community feedback obtained during the period of consultation further supports Council's position to remain a stand-alone council and submit an Improvement Proposal.

It is on behalf of our community, elected representatives and staff that we submit Ku-ring-gai Council's detailed response on the NSW Government's Fit for the Future proposal, which is to be read in conjunction with Council's completed *Template 2 – Council Improvement Proposal (Existing Structure)*.



Jennifer Anderson

**Mayor**



John McKee

**General Manager**

## Part A – ILGRP recommendation and addressing scale and capacity

This part:

- Provides commentary on ILGRP's rationale for its preferred option for Ku-ring-gai Council.
- Demonstrates how Ku-ring-gai meets or exceeds the scale and capacity criteria.
- Describes Council's responses and assessment process for its Fit for The Future proposal.

### 1. Metropolitan Strategy

In determining whether a proposal is *broadly consistent* with the objectives of the ILGRP preferred option, IPART's Methodology for Assessment includes criterion such as "support implementation of the Metropolitan Strategy, especially the planning and development of major centres and the preparation and implementation of sub-regional Delivery Plans".

While IPART's intention is clear, it is important to note that the final report of the ILGRP predates decisions by the NSW Government to establish a Greater Sydney Commission (GSC) in collaboration with local government to address just this issue.

#### Implications of new Sydney Metropolitan planning structure

The NSW Government intends to establish the following structure in order to provide engagement between each of the metropolitan plan subregions and the Minister for Planning:

- a **Local Government Advisory Committee** within each sub-region, with one representative from each Council; and
- a **Greater Sydney Commission**, which will be made up of one representative from each sub-region, a number of independent members as well as representatives from key government agencies. The Greater Sydney Commission will sit within the NSW Planning and Environment cluster and the Chair of the Commission will report directly to the Minister for Planning.

The NSW Government's establishment of the GSC, largely with the objective of delivering and implementing subregional plans within a coordinated metropolitan framework, should itself go a long way, if not all the way, to meeting the objectives of the ILGRP in relation to metropolitan governance. IPART's adoption of earlier ILGRP's recommendations about more effective sub-regional arrangements does not acknowledge the significant change in context which such objectives were originally formulated.

In response to the new Sydney Metropolitan planning structure Ku-ring-gai Council resolved, at its meeting of 9 June 2015, as follows:<sup>5</sup>

- A. *That Council adopts a position that the meeting of Mayors and General Managers from the Northern Sydney Councils (the combined NSROC/SHOROC regions) is the appropriate forum for engagement in the subregional planning process and that, as such, the combined meeting with representatives of SHOROC/NSROC Councils be endorsed as the 'Local Government Advisory Committee' for the north subregion.*
- B. *That the Local Government Advisory Committee be delegated to select the subregional representative of the Greater Sydney Commission.*

### **Current metropolitan planning deficiencies**

While there is an acknowledged failure in metropolitan planning across most Australian capital cities, this failure is not implicitly a weakness of local government. The often cited disconnect between State Government plans for residential and employment growth and local community objectives is not a valid reason in itself to reconstruct local community democratic decision-making processes with longstanding and effective track records.

This issue is addressed by Gleeson et al<sup>6</sup> who state that "Urban local government amalgamations in jurisdictions such as Queensland and Victoria have increased the scale and competencies of municipalities but not to the extent required by regional coordination". Ku-ring-gai local government area's current and future projected population is of a similar size or greater than many of these councils and demonstrably works well with its Northern Sydney Region of Councils (NSROC) neighbours on regional issues. The argument put forward by Gleeson et al, is that there are a number of deficiencies in metropolitan governance systems in most Australian cities and these are not necessarily solved by local government amalgamations. In support of this Gleeson et al, pp. 5-5 make a number of observations of state governments:

*"State agencies – departments of planning, transport and community development – have fragmented responsibilities, limited powers and resources and extensive, statewide jurisdictions. Even if they had the needed qualities, it would be very difficult to make individual agencies accountable for effective planning and servicing at the metropolitan scale. State agencies are also subject to regular and often disruptive re-structuring that mitigates against the stability needed to support the steady long-term implementation of detailed plans. The occasional instances of innovation within state planning departments can often be lost in the next departmental reshuffle or portfolio realignment. The problems with Sydney's transport system, now pressing matters of public concern, are emblematic of this institutional failure.*

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<sup>5</sup> Ku-ring-gai Council Ordinary Meeting of Council Minutes – see GB. 6 minute number 162 at: [http://datracking.kmc.nsw.gov.au/infocouncil.web/Open/2015/06/OMC\\_09062015\\_MIN\\_WEB.HTM](http://datracking.kmc.nsw.gov.au/infocouncil.web/Open/2015/06/OMC_09062015_MIN_WEB.HTM) [accessed 29 June 2015].

<sup>6</sup> Gleeson, B., Dodson, J., and Spiller, M. Metropolitan governance for the Australian city: The case for reform. Griffith University, 2010, p 8.

*Gleeson ibid (page 1) also make the observation that “there are times where state planning ministers find themselves involved in land development processes better left to local governments (especially development applications) and in metropolitan strategic issues that have little direct purchase on statewide portfolio responsibilities”.*

### **Ku-ring-gai’s delivery of current metropolitan strategy targets**

In the case of Ku-ring-gai Council there is no documented suggestion that Council has not met its current Metropolitan Strategy dwelling targets.

Arising from the Metropolitan Strategy 2005, Council had a dwelling target of 10,000 which is fully accommodated within Council’s two standard template instrument LEPs, despite Council being one of only a few metropolitan councils required to do so. The majority of metropolitan councils were only asked to deliver part of their long term targets in their first round LEPs. Regardless, of this dwelling target, Council has, up to May 2015, delivered some 6475–6931 dwellings,<sup>7</sup> nearly 70% of its initial 20 year target in 11 years.

Despite releasing its own Metropolitan Strategy, A Plan for Growing Sydney, in early 2014, the State Government has not made any specific announcements about further increased dwelling targets for LGAs since it was first elected. The most recent Department of Planning and Environment section 117 Direction in relation to the implementation of metropolitan plans dates from 2011 and references the now outdated Metropolitan Plan for Sydney 2036.<sup>8</sup> However information published informally through news reports and articles points to significantly increased dwelling targets for all metropolitan councils when draft subregional plans, and revised population projections, are released later in 2015.

### **Ku-ring-gai’s planning consistent with metropolitan planning implementation**

In terms of metropolitan planning implementation, the final report of the ILGRP suggests that “each LGA should have a substantial population centre that can provide higher order commercial, administrative, education, health and other services”.<sup>9</sup>

The use of the words “substantial population centre” are not to be confused here with “strategic centre” as it is used in the normal government metropolitan planning terminology. Ku-ring-gai local government area is itself a “substantial population centre” with a number of significant local centres providing a diverse range of commercial, retail, health and professional services for local residents in addition to regional hospital, support specialist medical services and educational facilities servicing regional catchments. For more information on the economic characteristics of Ku-ring-gai local government area see page 57.

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<sup>7</sup> As measured from Council dwelling approvals April 1 2004 to May 2015 – 6931 (Ku-ring-gai Council database May 2015) or dwelling completions July 2004 to Jan 2015: 6475 (MDP – State Government quarterly reporting).

<sup>8</sup> Planning Circular PS 11-005 Implementation of the Metropolitan Plan for Sydney 2036 – Ministerial Direction directs that in accordance with s.117 of the Environmental Planning and Assessment Act 1979, the relevant planning authority, when preparing any planning proposal, must ensure that it is consistent with the Metropolitan Plan for Sydney 2036. A Metropolitan Plan for Sydney 2036 is not the most current metropolitan strategy for Sydney.

<sup>9</sup> ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 76.



Ku-ring-gai also sits between the “strategic centres” of Hornsby, Macquarie Park and Chatswood and close to the newly emerging Northern Beaches Hospital Precinct.<sup>10</sup>

Residents of Ku-ring-gai utilise all three existing strategic centres, with no particular strategic centre taking primacy for higher order retail escape expenditure or access to services.

Council’s 2005 retail centres Study by Hill PDA<sup>11</sup> states “.....most escape expenditure is captured by Hornsby, Chatswood and Macquarie regional centres. Sydney CBD would also be capturing some proportion, particularly in clothing. Even with food and grocery expenditure Hornsby is capturing a high proportion from Wahroonga and Turramurra and Chatswood is capturing much of Roseville’s expenditure. Frenchs Forest and Forestville has strong influence on Roseville Chase and Macquarie Centre has a strong influence on West Pymble, West Lindfield and Gordon south of the Highway. Bulky goods expenditure escapes to a range of localities including Crows Nest, Moore Park, Alexandria, Manly Vale, and Auburn”. This would not be an uncommon pattern for many Local Government Areas (LGAs) in Sydney reflecting communities of mutual interest which extend well beyond even neighbouring LGA boundaries. Ku-ring-gai does not need to be located in an LGA with a strategic centre to benefit from that strategic centre.

Ku-ring-gai has a number of local centres of substantial size, particularly those in which Council’s “Activate” projects are being rolled out.<sup>12</sup> These may not be a priority in a larger LGA with a designated strategic centre. These lower order centres are largely all on the Northern Railway Line and will be the focus of “A Plan for Growing Sydney”, the railway having been identified as an urban renewal corridor. Arguably place management of these centres is as important for the residents of Ku-ring-gai, as planning for vibrant strategic centres in nearby LGAs, and is better managed by a local authority not distracted by “strategic centre” issues.

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<sup>10</sup> For the purposes of metropolitan planning the Sydney Metropolitan Strategy “A Plan for Growing Sydney” defines “strategic centres” as the largest centres in the Sydney Metropolitan Area, when developed. They contain mixed-use activity of an amount, density and diversity that is of metropolitan significance, including commercial (office, business and retail), civic and cultural uses; government services; and higher density housing. They are typically on the passenger rail network or serviced by other high frequency public transport. Strategic centres typically contain at least 10,000 jobs, with the potential to accommodate ongoing jobs growth over the long-term. They are priority locations for employment and retail activity. See “A Plan for Growing Sydney” at <http://www.strategy.planning.nsw.gov.au/sydney/the-plan/>

<sup>11</sup> Hill PDA Consulting, *Ku-ring-gai Retail Centres Study*, July 2005, p 38.

<sup>12</sup> Council’s “Activate” project details can be found at [accessed 29 June 2015]:

[www.kmc.nsw.gov.au/activate/lindfield](http://www.kmc.nsw.gov.au/activate/lindfield)  
[www.kmc.nsw.gov.au/activate/turramurra](http://www.kmc.nsw.gov.au/activate/turramurra)  
[www.kmc.nsw.gov.au/activate/gordon](http://www.kmc.nsw.gov.au/activate/gordon)

## 2. ILGRP's population guide for Ku-ring-gai

In assessing whether Ku-ring-gai Council's proposal satisfies the Fit for the Future scale and capacity criterion, IPART will consider whether ILGRP's scale objectives are broadly met and be guided by the population estimates for the particular local government area, included with the ILGRP recommended options.

In Ku-ring-gai's case the ILGRP's preferred option is for Council to amalgamate with Hornsby Shire Council with stated rationale of a "Projected 2031 population of 348,800". This effectively establishes a threshold population target for Ku-ring-gai to achieve satisfactory scale and in turn, achieve satisfactory strategic capacity.

It is our view that ILGRP's link between scale (population) and strategic capacity is not demonstrated for large councils such as Ku-ring-gai for the following reasons:

- ILGRP's recommendations are based primarily on the conclusions of the Australian Centre of Excellence for Local Government (ACELG) report "Consolidation in Local Government: A Fresh Look". This report looked at various approaches to consolidating services provided by a small number of local, regional and state organisations including six case studies of mainly very small rural councils. In its Final Report<sup>13</sup> ILGRP directly references the ACELG report in its case for amalgamations for both NSW Councils and Sydney Metropolitan Councils.

The ACELG report concludes that amalgamations provide the strongest way to achieve efficiencies and economies of scale, strategic capacity, service improvements and innovation. While stronger regional collaboration and shared services organisations may do so, according to the report, the outcomes across the board are considered to be less certain.

- From a review of the ACELG report these assertions are clearly not demonstrated and no credible comparison can be made between the case study councils in the report and ANY large metropolitan Sydney Council due to the following:
  - The report relies on a very small number of case study councils with small populations. Benefits of combining these Councils are tangible such as capacity to employ a town planner, implement a Geographical Information System, develop a sophisticated asset management plan, and undertake civil engineering with plant and equipment.<sup>14</sup>
  - These benefits of increasing scale and strategic capacity are not demonstrated for existing large to very large metropolitan councils that already employ diverse and highly skilled personnel, deliver a sophisticated range of services, undertake major projects and actively contribute to regionally strategic planning.

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<sup>13</sup> ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 72.

<sup>14</sup> Australian Centre of Excellence for Local Government, *Consolidation in Local Government: A Fresh Look, Volume 1: Report*, May 2011, p 59.

- Comparisons cannot be made between Ku-ring-gai with a current population of 119,027 (projected to increase to 151,100 in 2031), and a budget of \$162million (2015/16) and the case study council City of Subiaco with an Estimated Resident Population in 2014 of 20,167 (See <http://profile.id.com.au/subiaco/home> ) or the Shire of Kulin, population 826 (See <http://kulin.wa.gov.au/main/council/overview/> ).
- There is no demonstrable link between “scale and capacity” and extrapolating the benefits of amalgamating very small councils to very large metropolitan councils is flawed.
- Qualifications included in the ACELG report state that it is not a comprehensive assessment <sup>15</sup>, base data has significant limitations <sup>16</sup> as well the selection of interviews <sup>17</sup> and their outcomes.

### **Comparison of populations in overseas and interstate authorities**

A comparison of the populations of local authorities in other developed countries and Australian states in Table 1 shows clearly that Ku-ring-gai Council already has a large to very large population and will remain in this category based on population projections to 2013.

It is noted that Sydney Metropolitan councils are significantly larger than metropolitan councils in other developed countries with an average OECD population of 28,000. Only 2 of the 41 Sydney metropolitan councils are below the OECD average, with 17 councils serving populations of more than 100,000 residents.

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<sup>15</sup> Australian Centre of Excellence for Local Government, *Consolidation in Local Government: A Fresh Look, Volume 1: Report*, May 2011, p 3.

<sup>16</sup> Australian Centre of Excellence for Local Government, *Consolidation in Local Government: A Fresh Look, Volume 1: Report* May 2011, p 5.

<sup>17</sup> Australian Centre of Excellence for Local Government, *Consolidation in Local Government: A Fresh Look, Volume 1: Report* May 2011, p 6.

**Table1: Comparison of Populations in Local Government Areas - Australia and OECD Countries**

| Population        | OECD average | Ku-ring-gai LGA | WA LGA's | VIC LGA's | Queensland LGA's | NSW LGA's |
|-------------------|--------------|-----------------|----------|-----------|------------------|-----------|
| <1000             |              |                 | 36       | -         | 14               | -         |
| 1000 – 10,000     |              |                 | 57       | 9         | 25               | 53        |
| 10,000 – 50,000   | 27, 224      |                 | 31       | 31        | 23               | 50        |
| 50,000 – 100,000  |              |                 | 5        | 7         | 4                | 26        |
| 100,000 – 150,000 |              | 120,000 (2014)  | 5        | 15        | 3                | 5         |
| 150,000 – 200,000 |              | 151,100 (2031)  | 2        | 11        | 4                | 13        |
| 200,000 – 300,000 |              |                 | 1        | 2         | 1                | 4         |
| 300,000+          |              |                 |          |           | 4                | 1         |

Source 1: OECD Information - Average population size for local governments in metropolitan areas, 2012. *Regions at a Glance*. OECD. 2013.

Source 2: Australian Information – Estimated Residential Population, Local Government Areas in Victoria, Western Australia, Queensland and New South Wales. ABS 3218.0 - Regional Population Growth, Australia, released 31 March 2015.

**Notes:**

OECD local government areas included the United States (29,373); Canada (36,218); Japan (108,941), Chile (135,675) and Mexico (201,461). Mexico has a population of 122.3 million (2013) which is over 5 times larger than Australia.

OECD average local government populations for the UK (224,530) and Ireland (247,883) cannot be compared to Australia as those countries do not have a state tier of government and local government includes complex multiple levels. For example, larger unitary councils in the UK combine the powers and functions normally delivered by both local government and state government in NSW. This can include public housing, social services, education, transport, waste management, waste collection, council tax collection, libraries, planning, consumer protection, licensing, cemeteries and crematoria.

### 3. Socio-economic and urban links

ILGRP's recommendation that Ku-ring-gai Council amalgamate with Hornsby Shire Council also included the rationale that Ku-ring-gai has 'strong socio-economic and urban links' with Hornsby Shire Council.

A comparison of Ku-ring-gai and Hornsby Council's socio-economic and urban characteristics is provided on pages 51-64 of this submission. Findings from that comparison demonstrate that socio-economic and urban links between the two local government areas are no different than Ku-ring-gai's links to Willoughby and Warringah local government areas. For Hornsby Shire Council links with The Hills are arguably stronger. This is demonstrated by the following:

#### **Boundaries and urban interface**

Ku-ring-gai's boundary and urban interface with Hornsby is no larger than other adjoining councils. In particular Ku-ring-gai shares similar common boundaries and an urban interface with Willoughby Council. In comparison Hornsby's largest boundary and urban interface is with The Hills Council. See comparative summary of Ku-ring-gai and Hornsby's physical, natural and built environments on page 45 and Map 3 – Interface with adjoining councils on page 49 of this submission.

#### **Demographic and Social links**

While Ku-ring-gai and Hornsby Councils have some similar socio-economic characteristics due to their location in the northern region of Sydney, there are also differences in age structure, cultural diversity, education levels and income levels.

Ku-ring-gai shares similar characteristics with Warringah Council and Hornsby shares similar characteristics with The Hills.

#### **Services and facilities**

Apart from some joint regional programs there are few service and community facility links between the two councils. Ku-ring-gai's location is at the extreme southern end of Hornsby Shire and its relative self-containment is not conducive to links.

Ku-ring-gai has relatively compact, more easily accessible urban areas for the delivery of efficient services and access to community facilities. In comparison Hornsby is characterised by very large distances, dispersed population settlements and a broad mix of land uses, all of which affect the relative availability of services, facilities and their cost. As indicated in Section 7.2.1 – Differences in Service Levels, Ku-ring-gai has the capacity to provide its residents with higher levels of service than those able to be provided in Hornsby Shire.

#### **Economic links**

Ku-ring-gai and Hornsby councils do not have strong economic links. Both areas have high levels of self-sufficiency in employment with more employed residents than workers. There are differences in the industries of employment within the two areas.

Looking at the origin of workers there are diverse connections with adjoining LGAs with both councils having a spread of workers arriving from adjoining areas. The connection between Ku-ring-gai and Hornsby is no more significant than Hornsby's connection with The Hills Shire (see page 58).

### **Built environment**

Ku-ring-gai has a far greater focus on preserving the residential character, landscape and heritage values of the area, as reflected in Ku-ring-gai's overarching Community Strategic Plan, other Integrated Planning documents, LEPs, DCPs and policies as well as the delivery of program initiatives and projects. Ku-ring-gai is closer to the Sydney CBD and has better transport access than Hornsby Shire, while Hornsby has substantially more non-urban and bushland areas. Property values in Ku-ring-gai are significantly higher than in Hornsby, reflecting market preferences, demand and supply.

### **Communities of interest**

Based on a review of where residents go for employment, shopping, services, schools, recreation and transport there is no strong 'community of interest' link between Ku-ring-gai and Hornsby Shire.

Ku-ring-gai Council, located on the southern end of Hornsby and relatively close to Sydney CBD, has close community links to Willoughby, Ryde and Warringah with links to Hornsby arguably weaker. In comparison, Hornsby includes very large and fragmented communities with very strong links to other councils. This includes:

- The urban and rural land in the western half of Hornsby (including Dural, Arcadia and Wiseman's Ferry) have very strong links to The Hills Council.
- Cherrybrook and Pennant Hills urban areas have strong links to both The Hills and Ryde Council areas.
- Beecroft, Cheltenham and Epping urban areas have strong links to Ryde Council area.
- Carlingford urban area has strong links to both Parramatta Council and Ryde Council areas.

#### **Summary**

This section identified inconsistencies and weaknesses in ILGRP's rationale for its preferred option for Ku-ring-gai to achieve satisfactory scale based on population size.

In addition, Council's research shows that, apart from an adjoining location, both socio-economic and urban links between Ku-ring-gai and Hornsby are no different than Ku-ring-gai's links to Willoughby and Warringah local government areas. In Hornsby's case, links with The Hills are arguably stronger than those with Ku-ring-gai.

## 4. Scale and strategic capacity criteria

It is noted that IPART's methodology<sup>18</sup> for assessing proposals states;

*"All councils must demonstrate they either currently have, or will have sufficient scale and capacity related objectives identified in the ILGRP for their region, and the features of strategic capacity".*

As discussed on previous pages, the issue of scale being measured by population alone does not equate to councils having strategic capacity.

Although Council's submission does not meet the scale objective on population estimates to attain scale and capacity<sup>19</sup>. The following pages will provide evidence to demonstrate that Council has the resources (financial, assets and human) to provide leadership on local and regional planning, to advocate on behalf of our community and exhibits superior strategic capacity.

### **Criterion 1 - More robust revenue base and increased discretionary spending.**

Ku-ring-gai Council currently meets and exceeds this criterion, as demonstrated by its sound financial performance. Council has sound operating results and exceeds financial sustainability ratios. For example, the 2013/14 Financial Statements<sup>20</sup> show:

- Operating performance ratio – better than the (-4%) benchmark for last 5 years (1.56% in 2013/14).
- Own source operating revenue – better than the 60% benchmark for last 5 years (84.72% in 2013/14).
- Unrestricted current ratio - better than the >1.5:1 benchmark for last 5 years (2.88:1 in 2013/14).
- Debt service cover ratio - better than the >2:1 benchmark for last 5 years (4.82:1 in 2013/14).
- Rates, annual charges, interest and extra outstanding percentage – better than the <5% benchmark for last 5 years (3.25% in 2013/14).
- Cash expense cover ratio - better than the benchmark >3 months for last 3 years (8.01 months in 2013/14).

<sup>18</sup> IPART, *Methodology for Assessment of Council Fit for the Future Proposals, Local Government - Assessment Methodology*, June 2015, p 8.

<sup>19</sup> ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 104.

<sup>20</sup> T-Corp Benchmarks also used in Council's Financial Statements.

**Successful implementation of financial sustainability strategies and LTFP initiatives:**

- Successfully obtained a Special Rate Variation for Infrastructure in 2013/14 which contributes an additional \$2.7million each year for local roads. This is in addition to Council's existing budget which is approximately \$7 million each year.
- Continued to maintain operating surpluses after allowing for depreciation expense on the portfolio of depreciable assets.
- Maintain healthy levels of working capital and cash reserves in the LTFP.
- Focussed LTFP on funding capital works and upgrade and renewal of our infrastructure assets to meet community expectations.
- Secured \$2.17million in environmental grants.
- Local Infrastructure Renewal Scheme (LIRS) – this initiative funded by loans allowed the renewal and upgrade of Council's main library and numerous public amenity blocks.
- The Waste Sustainability Improvement Payment Program (WASIP) – provides a range of new waste related project initiatives funded by payments received from State Government following improved recycling of domestic waste.
- Reduced legal costs by over \$300,000 during 2013/14.
- Continuation of other Environmental – Special Rate Variation to 2018/19 used to implement and continue a range of environmental programs and initiatives.
- Completion of Stage 1 Fees & Charges benchmark review of sports fees in 2014/15 which will provide additional revenue of \$900K over the next 4 years.

**Future directions 2015/16-2019/20**

There will be continued improvements to Council's current strong operating result, revenue base and discretionary spending due to:

- Maintaining sustainable debt with reduction of loan liability by 2023/24.
- Completion of asset divestment program.
- Completion of Stage 2 Fees & Charges benchmarking review, quantifying the true cost of providing the service through full cost recovery.



- Completion of service review to quantify true cost of providing the service and implementation of service delivery efficiencies in consultation with the community.
- New funding strategy which allows increased investment in renewal of infrastructure.

**Criterion 2 - Scope to undertake new functions and major projects.**

Ku-ring-gai Council currently meets and exceeds this criterion, as demonstrated by the following:

**Successful delivery of a large and diverse \$47million Capital Works Program in 2013/14 and \$27million in 2014/15 which includes:**

- \$9million roads program.
- \$900,000 footpath program.
- \$4million on upgrading parks and playgrounds.
- \$2.8million upgrading sports fields and sports courts.

**Successful track record in designing, constructing and completing complex major projects for the community including:**

- \$28million North Turramurra Recreation Area project – due to be completed in 2016.<sup>21</sup>
- 26-lot brown field residential subdivision development at South Turramurra.<sup>22</sup>
- \$1.7million upgrade of Gordon Library.
- New \$17million Ku-ring-gai Fitness and Aquatic Centre (KFAC) at West Pymble.<sup>23</sup>
- \$19million Council Operations Depot completed 2012/13.
- \$3.6million SES/RFS headquarters, project managed by Council 2012/13.

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<sup>21</sup> North Turramurra Recreation Area project details can be found at:  
[www.kmc.nsw.gov.au/ntra](http://www.kmc.nsw.gov.au/ntra) [accessed 29 June 2015]

<sup>22</sup> South Turramurra residential subdivision project details can be found at:  
[www.kmc.nsw.gov.au/b2](http://www.kmc.nsw.gov.au/b2) [accessed 29 June 2015]

<sup>23</sup> Ku-ring-gai Fitness and Aquatic Centre project details can be found at:  
[www.kmc.nsw.gov.au/kfac](http://www.kmc.nsw.gov.au/kfac) [accessed 29 June 2015]

**Successful track record in coordinating, planning, designing, and completing complex land use planning projects for the community including:**

- Lindfield and Turramurra Local Centres and Gordon Town Centre – land acquisition, planning, community consultation, project briefs, utilisation of S94 developer contributions.
- St Ives Showground Precinct – planning for the precinct to provide both local and regional facilities and events involving multiple uses and cross organisational responsibilities.
- Neighbourhood Centre Revitalisation Program Projects – completed Phillip Mall shops, West Pymble (2012/13) and Princes Street, Turramurra neighbourhood shops (2013/14); designs underway for Warrimoo Avenue shops, St Ives Chase.

**Successful track record in undertaking new functions and services required for the community:**

- Economic and social development.
- Expansion of local and regional cultural and tourism events and programs.
- Environmental community and business partnership initiatives.
- Climate change adaptation programs.

**Future directions 2015/16-2019/20**

- Delivery of large and diverse \$47million Capital Works Program 2015/16. <sup>24</sup>
- Substantial completion of Lindfield Local Centre revitalisation projects, including Lindfield Community Hub and Lindfield Village Green, providing new community and recreational facilities, commuter parking and commercial, retail and residential development.
- Substantial completion of Turramurra Local Centre revitalisation project, providing Village Green, new community facilities, recreational space, a new supermarket and commercial, retail and residential development.
- Substantial progression of Gordon town centre revitalisation through the Gordon Civic & Community Hub project, which will provide, community, cultural, civic and recreational facilities and spaces with potential for commercial, retail and residential development.

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<sup>24</sup> Refer to Council's Delivery Program and Operational Plan (Summary of Capital Works Program and Operational Projects 2015/16) at:

[www.kmc.nsw.gov.au/deliveryprogram](http://www.kmc.nsw.gov.au/deliveryprogram) [accessed 29 June 2015]

Council has been laying the foundations for these projects for a number of years through the construction of a comprehensive and innovative development contributions plan, the acquisition of a number of sites to augment existing land holdings, the disposal (and planned future) of a number of surplus assets to provide source of funds. Council has been engaging with private sector partners on a without prejudice basis, been working cooperatively and constructively with Transport for NSW, and has engaged a full team of architects, urban designers, valuation, property development, and feasibility specialists to develop and market test these projects.

Projects of this type would have eluded any of the individual partners until this point in time, and are only possible with true cooperation between State agencies, Council and the private sector. They will have a truly transformational impact on the communities within which they are being planned. They are however, projects that are below the threshold of interest by Urban Growth NSW, so they require the vision and drive of a strong local authority to respond the challenges and opportunities presented at a local level.

Council is currently in the final stages of completing the North Turramurra recreation area redevelopment. This project is one of the largest Ku-ring-gai Council has undertaken in recent years, at a total cost of \$28 million. It will transform the Council-owned North Turramurra golf course and surrounding area into a large regional recreation area.

When finished, residents and visitors can enjoy golf, picnic areas, walking trails, multi-use sports fields and areas of natural bushland.

**Criterion 3 - Ability to employ wider range of skilled staff.**

Council has a permanent workforce of 420 equivalent full time (EFT) staff. Council manages its staff and service delivery by a combination of permanent, casual, short and long term contract and agency hire arrangements or full outsourcing.

In 2012/13 the Office of Local Government reported Council had a population per EFT of 279 compared to a Group Average of 247.<sup>25</sup> In comparison with neighbouring Council's, Ku-ring-gai has the second lowest population per EFT of 283 compared to the average of 243 and the lowest employee labour cost as a percentage of total operating budget (35%) as shown in the table below.

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<sup>25</sup> NSW Office of Local Government, *Comparative Information on NSW Local Government - Measuring Local Government Performance 2012/13- Part 2*, June 2014, p 191.

**Table 2: Equivalent Full Time Comparison**

|                    | Population | EFT | Staff per head of residents      | Labour cost as a % of total operating budget |
|--------------------|------------|-----|----------------------------------|--|
| <b>Ku-ring-gai</b> | 119,027    | 420 | 1 staff member per 283 residents | 35%  |
| <b>Hornsby</b>     | 166,855    | 550 | 1 staff member per 303 residents | 39%  |
| <b>Willoughby</b>  | 73,155     | 406 | 1 staff member per 180 residents | 41%  |
| <b>Ryde</b>        | 112,545    | 440 | 1 staff member per 256 residents | 42%  |
| <b>Warringah</b>   | 152,636    | 635 | 1 staff member per 240 residents | 41%  |
| <b>Pittwater</b>   | 62,070     | 314 | 1 staff member per 197 residents | 39%  |

*\*Figures based data published in 2013/2014 Annual Reports.*

One of the unusual but not necessarily unique features of Council's organisational structure is the separation between statutory and strategic land use planning and broader policy development and operational functions. The then Division of Local Government in their 2010 Promoting Better Practice Program Review<sup>26</sup> made the following observations:

*Coordinated focus on strategy and delivery*

*In recent years the organisation has made changes to its structure which effectively split responsibility for long-term planning for all Council's services, activities and facilities (Strategy) and delivery/maintenance of assets (Operations).*

*While there are clearly any number of structural arrangements that can be used by councils, the Asset Management structure adopted by Ku-ring-gai appears to be working well. According to the Director of Operations, the delineated roles have allowed his directorate to focus on efficient service provision.*

*We were concerned that the establishment of the delineated roles might have given rise to conflict and inefficiencies in asset planning and management. However, we observed a high level of respect between staff of different directorates and specifically, evidence of the work of different directorates being used to inform the work of others. This suggests that Council will be successful in achieving the strategic intent of dividing the functions.*

<sup>26</sup> Division of Local Government, *Promoting Better Practice Report – Ku-ring-gai Council*, January 2010, p 56.

Because of its size, the diversity and technical interest of the projects it is undertaking, its reputation, and its results driven culture, Ku-ring-gai is able to recruit and retain a variety of high calibre professionals across a broad range of skill areas. As well as full range of traditional local government roles, Council has on its staff professionals with the following skills:

- Strategic asset management.
- Natural hazard planning and management.
- Climate change.
- Statutory and corporate real property management.
- Geographic information systems.
- Landscape architecture.
- Urban design and architecture.
- Biodiversity and ecology.
- Environmental engineering.
- Traffic engineering.
- Bushfire management.
- Sustainable building and design.
- Strategic traffic and transport planning.
- Cultural heritage planning.

Council staff have provided expertise on climate change adaptation planning to the Governments of China, Korea and France and the United Nations Economic and Social Development Program for the Asia Pacific region and acted as expert advisers on panels for the National Climate Change Adaptation Research Facility, Local Government NSW, NSW Office of Environment and Heritage and the Sydney Coastal Councils Group.

While many of these staff are part of the dedicated strategy department referred to above, there are many specialist roles not available to other councils embedded throughout the organisation in a variety of operational and professional positions.

**Criterion 4 - Knowledge, creativity and innovation.**

Ku-ring-gai has long been recognised as a leader in research around issues confronting local government. Council's research over the past ten years has produced over 50 refereed conference presentations in Australia and overseas, book chapters and journal articles. Council has engaged in active research with six Australian Universities and has a Memorandum of Understanding with Macquarie University to conduct research with undergraduate and post graduate students on projects relevant to local government. Council staff have also provided expertise on climate change adaptation planning to the Governments of China, Korea and France and the United Nations Economic and Social Development Program for the Asia Pacific region and acted as expert advisers on panels for the National Climate Change Adaptation Research Facility, Local Government NSW, NSW Office of Environment and Heritage and the Sydney Coastal Councils Group.

Most recent being the winner of the 2014 A R Bluett Award for excellence over recent years, Council has been recognised with numerous awards, reflecting the quality of its research, creativity and capacity. See the full list at **Appendix D**.

**Innovative partnerships and educational initiatives:**

- **KNOWLEDGE:** Council delivers an Environmentally Sensitive Lands (ESL) staff training program across a number of modules, including ecologically sensitive lands mapping; environmental risk management; weed identification; threatened species & vegetation community identification; riparian management and Water Sensitive Urban Design (WSUD); bushfire management; and sediment and erosion control, for planners and operational staff. In addition to ensuring staff meet their legislative requirements, the training program supports knowledge and cultural change and has resulted in on-ground improvements in environmental management.
- **KNOWLEDGE:** Council is a participant in the Cooperative Research Centre (CRC) for Water Sensitive Cities which brings together inter-disciplinary research expertise and thought-leadership across government and industry to advance water management in Australia and overseas.

- **INNOVATION:** Ku-ring-gai has long been recognised as a leader in research around issues confronting local government. Council's research over the past ten years has produced over 50 peer-reviewed conference presentations in Australia and overseas, book chapters and journal articles. Council has engaged in active research with six Australian universities and has a Memorandum of Understanding with Macquarie University to conduct research with undergraduate and post graduate students on projects relevant to local government.
- **INNOVATION:** Council is a leader in implementing innovative water projects that reduce our reliance on Sydney's drinking water supply, reduce the impact of stormwater runoff on our bushland, save Council and ratepayers' money. Since 2007 we have installed 15 stormwater harvesting systems, one rooftop filter garden, two leachate systems, two sewer mining systems, 20 biofilter gardens, 70 Gross Pollutant Traps (GPTs) and 141 pit litter baskets.
- **INNOVATION:** Council's branded sustainability communications have resulted in direct increases in community participation and engagement in Council's environmental and sustainability programs and events. Leading the way amongst councils, Ku-ring-gai has incorporated a suite of integrated mechanisms to engage with a wider audience, including a sustainability e-news (1,857 subscribers), Twitter account (235 followers), Facebook community (2,149 followers with a recorded 281,073 views of our posts and 11,285 click-throughs) and Environmental YouTube channel (170,000 unique visits, over 80 videos and the most watched local government environmental YouTube channel in Australia).<sup>27</sup>
- **INNOVATION:** Council's Climate Wise Communities program, the only one of its kind, is a program designed to improve community resilience to the impacts of climate change, at a personal, property and neighbourhood level through workshops targeted at those community sectors most vulnerable to extreme weather events, including Culturally and Linguistically Diverse (CALD) communities, seniors, aged care providers, residents in high bushfire hazard zones, in-home care providers for seniors living alone and children's' services providers. Through grant funding, the program is currently being rolled out to a number of other councils across Sydney.
- **INNOVATION and CREATIVITY:** Council partners with the community to enhance urban biodiversity within the LGA. Through the Wild Things program, over 350 stingless native beehives have been distributed to Ku-ring-gai residents, a program unique to Ku-ring-gai Council. Through the Pool to Pond program, Council has assisted over 70 local residents convert their unwanted pools into easy-to-maintain ponds, which are an eco-friendly, cost-

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<sup>27</sup> Envirotube YouTube channel posts can be found at:  
<https://www.youtube.com/user/greenstylenorth> [accessed 29 June 2015]:

effective alternative that promotes biodiversity. Initiated by Ku-ring-gai Council, this program is being replicated by other Sydney councils with assistance from Ku-ring-gai.

- **PARTNERSHIP:** Volunteer Programs. Delivering environmental, community and heritage programs. Council's volunteer program is one of the largest in NSW. Harnessing and providing skill development for volunteers to deliver these programs builds social capacity and a sense of community. It is also a costs effective resourcing mode to the deliver the programs.
- **PARTNERSHIP:** Council's bushland regeneration program is complemented by the efforts of our 726 passionate Bushcare, Streetcare and Parkcare volunteers who conduct bushland regeneration activities at 165 sites across Ku-ring-gai, representing the second largest Bushcare program in Sydney.
- **PARTNERSHIP:** Council's community small grants scheme assists local community groups or individuals to complete projects that benefit our natural environment. Since the scheme's inception in 2006, we have funded 158 environment projects worth \$557,000.

#### **Future directions 2015/16-2019/20**

- Expansion of Council's climate change mitigation and adaptation programs. Council's mitigation efforts will continue to be guided by international and local climate science and modelling, with new funding models being implemented to meet the challenges of mitigation in a context of predicted population growth, increased Council services and new and replacement assets. Council's adaptation program will see the expansion of the Climate Wise Communities, to include the development of a community volunteer network to respond to extreme weather events, and initiatives to build Council's capacity to prepare, respond and recover to the increasing severity and frequency of extreme weather events as a result of a changing climate.
- Open Space Acquisition Strategy – continued implementation.
- Council will continue to partner with the community and deliver a range of sustainability programs, to further community knowledge and inspire community action, further increasing our steadily growing participation rates.
- The continuation of Council's Memorandum of Understanding with Macquarie University will see a number of research projects come to fruition which will inform and guide Council's policy development and program delivery.



**Criterion 5 - Advanced skills in strategic planning and policy development.**

Ku-ring-gai Council currently meets and exceeds this criterion as demonstrated in the following areas<sup>28</sup>:

- Best practice Community Strategic Plan, Resourcing Strategy, Delivery Program and Operational Plan.
- Long term financial planning.
- Best practice asset management planning.<sup>29</sup>
- Best practice community consultation - for land use planning<sup>30</sup>, asset management service levels<sup>31</sup> and community strategic planning.<sup>32</sup>
- Land use planning - comprehensive contemporary local environmental plan based on the NSW Standard LEP Template.
- Comprehensive Development Contributions Plan to assist in funding new infrastructure
- Open Space Acquisition Programme.
- Climatewise Communities.
- Cooperative Research Centre (CRC) for Water Sensitive Cities.
- Best practice policy development across community, environmental, development and land use planning.
- Best practice information systems to support strategic planning and policy development. Council utilises a sustainability data management and reporting system<sup>33</sup> to monitor and measure our performance across a range of key sustainability performance indicators and to inform strategic planning and policy development.
- Council utilises an integrated monitoring and evaluation framework to strategically guide investment and management priorities within Council's bushland reserves.

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<sup>28</sup> To avoid repetition also refer to Knowledge, Creative and Innovation (Criterion 4).

<sup>29</sup> See Council's Asset Management Strategy 2015/16-2024/25, p 17 at: [www.kmc.nsw.gov.au/resourcingstrategy](http://www.kmc.nsw.gov.au/resourcingstrategy) [accessed 29 June 2015]

<sup>30</sup> Council's "Activate" project details can be found at: [www.kmc.nsw.gov.au/activatelindfield](http://www.kmc.nsw.gov.au/activatelindfield) [accessed 29 June 2015]

<sup>31</sup> Micromex Research, *Ku-ring-gai Council Asset Management*, June 2012.

<sup>32</sup> See Council's Community Strategic Plan Discussion Paper at: [www.kmc.nsw.gov.au/communitystrategicplan](http://www.kmc.nsw.gov.au/communitystrategicplan) [accessed 29 June 2015]

<sup>33</sup> Envizi is Council's sustainability data management and reporting system.

### Successful Policy Achievements

- Best practice Community Strategic Plan, Resourcing Strategy, Delivery Program and Operational Plan.<sup>34</sup>
- Long term financial planning and asset management planning.<sup>35</sup>
- Sustainability - Climate Change Policy, Climate Change Adaptation Strategy, Greenhouse Gas Reduction Action Plan, Biodiversity Strategy, Plans of Management, Bushland Encroachment and Dumping Policy, Fauna Management Policy, Integrated Water Cycle Management Policy and Strategy, Bush Fire Management Policy, Weeds Management Policy, Sustainable Event Management Policy and Corporate Sustainability Action Plan.
- Open Space Strategy and Open Space Acquisition Strategy.
- Northern Sydney Ageing Strategy & Northern Sydney Youth Strategy.

Additionally, Council has been recognised for its strategic planning and policy capability by many institutes and organisations. See **Appendix D** for a detailed listing.

### Future directions 2015/16-2019/20

- Through the CRC for Water Sensitive Cities (WSC) policy-partnership program, Council is currently working with the CRC to convert its suite of water and riparian management policies and strategies into a Water Sensitive City Policy and Strategy, considered to be best practice by the water industry. The WSC Policy and Strategy policy will form a template for the CRC to promote to other councils across Australia.
- Opportunities will be pursued and current capabilities will continue as above.

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| <b>Criterion 6 - Effective regional collaboration.</b> |
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Ku-ring-gai Council is a pivotal member of a number of regional partnerships delivering programs and services on behalf of Government and to the wider community. Council participates in:

- Regional partnerships.
- Regional service delivery.

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<sup>34</sup> Council's Integrated Planning & Reporting Framework documents can be found at: [www.kmc.nsw.gov.au/integratedplanning](http://www.kmc.nsw.gov.au/integratedplanning) [accessed 29 June 2015]

<sup>35</sup> See Council's Resourcing Strategy 2013-2025 at: [www.kmc.nsw.gov.au/resourcingstrategy](http://www.kmc.nsw.gov.au/resourcingstrategy) [accessed 29 June 2015]

and  
Council's Asset Management Policy at:  
<http://www.kmc.nsw.gov.au/Policies> [accessed 29 June 2015]

- Regional contract delivery.
- Regional development.

Examples include:

- **Northern Sydney Region of Councils (NSROC)** – comprises Hornsby, Hunters Hill, Ku-ring-gai, Lane Cove, North Sydney, Ryde and Willoughby councils to strengthen the role of local government in regional affairs and to address regional issues, work co-operatively for the benefit of the region, and advocate on agreed regional positions and priorities.
- **Better Business Partnership (BBP) program** (Willoughby, Lane Cove, North Sydney and Ku-ring-gai Councils). The BBP program is a regional program designed to improve the sustainability of businesses on Sydney's North Shore. We work to help businesses save money through reduced energy, waste and water bills, to improve their environmental performance, and to promote their achievements. There are currently 118 active Ku-ring-gai businesses in the program that continue to receive tailored advice to improve their sustainability performance. Recently the BBP program introduced the Energy, Water and Waste Saver Service, which provides more specialised assistance to businesses, by benchmarking their energy, water and waste performance and identifying opportunities for efficiency improvements.
- **Bushfire Risk Management Committee (BRMC)** – Overseeing the planning for and management of bushfire risk management in collaboration with Hornsby Council, Rural Fire Service (RFS), NSW Police and other stakeholders.
- **Bushfire Risk Management Plan** – Development of five year plan including community consultation for risk management treatments and allocation of funding for bushfire risk management in Hornsby /Ku-ring-gai area.
- **Climate Wise Communities program** - is delivered in partnership with a number of key emergency management and state agencies, such as the Department of Health, NSW Police, Red Cross and NSW Rural Fires Services. The Climate Wise Communities program is a program designed to improve community resilience to the impacts of climate change, at a personal, property and neighbourhood level. The program delivers a range of community resilience workshops targeted at those community sectors deemed to be most vulnerable to extreme weather events, including Culturally and Linguistically Diverse (CALD) communities, seniors, aged care service providers, residents in high bushfire hazard zones, in-home care providers for seniors living alone and children's' services providers.

- **CRC for Water Sensitive Cities** - Ku-ring-gai Council is a member of the Sydney consortium of Councils, which is a partner of the Cooperative Research Centre (CRC) for Water Sensitive Cities, aimed at advancing water management in Australia. Council staff participates in conferences, workshops, advisory committees and Sydney consortium initiatives as part of our involvement in the CRC.
- **LEMC** – Overseeing the planning for and management of local emergencies in collaboration with Hornsby Council, Ministry for Police and Emergency Services, State Emergency Services (SES), RFS and other stakeholders.
- **Northern Region Planners Group** - The Northern Planners Professional Officers Group is made up of senior planning staff from the northern region of Sydney, which meets monthly to exchange technical planning information, review new planning policies and prepare submission on planning reforms such the NSW Planning reforms and the NSW Plan for Growing Sydney and associated draft north subregional strategy.
- **Northern Sydney Waste Alliance** – Projects include regional procurement for waste disposal for NSROC Councils and completion of a Regional Waste Management Strategy consistent with the State's Waste Strategy. Projected outcomes include achieving better cost outcomes for disposal with economies of scale, security in disposal for ten (10) years for the region and the opportunity to have further development of waste recovery assets to meet State waste recovery targets. The regional strategy has targets and projects that are across LGAs to add value to grant funded recovery programs, rationalise community engagement, provide networking and cross training opportunities for waste management issues including littering and illegal dumping which promotes a consistent approach to management issues and services across the region.
- **Partnership agreement with Macquarie University**<sup>36</sup> - Council has a formal partnership arrangement with Macquarie University, to develop academic interchange in teaching, research and other programs and activities, including joint research activities, joint conferences and other meetings and the exchange of academic materials and information.
- **Memorandum of Understanding with Aboriginal Heritage Office** - A partnership involving 8 Northern Sydney councils to identify, maintain and restore Aboriginal Heritage sites in the Northern Sydney Region. The award winning Aboriginal Heritage Office is unique to this region and employs a range of professionals including anthropologists, geologists and education officers.

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<sup>36</sup> Council's partnership agreement with Macquarie University details can be found at: <http://mq.edu.au/about/executive/vice-chancellor/2015/06/03/climate-security/> [accessed 29 June 2015]

- **Local Government Youth Development Network** - Active participants in a state wide forum representing the interests of local government and working together with the Youth Action & Policy Association of NSW. This forum provides input into state government policies relevant to young people, identification of youth needs, and advocates on behalf of local young people.
- **Northern Sydney Settlement Services** – Council assists in the coordination, planning and delivery of settlement services in Northern Sydney in cooperation with the Community Migrant Resource Centre and Northern Sydney Regional Organisation of Councils. The current level of engagement includes identification of needs, coordination of the Hornsby Ku-ring-gai Multicultural Network, and development of service models and provision of case work for new migrants to the area.
- **Northern Sydney Disability Service Network & Local Government Aged Network** - Council actively participates in these regional networks together with Commonwealth, State and community groups to plan new services and identify emerging issues impacting on older people and people with disabilities. This Network is also involved in the planning, coordination and rollout of current Commonwealth Government reforms in the aged care and disability sector.
- **NSW Local Government Children’s Services Forum** - Council actively participates in a state wide forum representing the interests of local government and working together with a number of PEAK children services organisations. This forum provides input into national government enquiries, licensing and child care regulation matters as well as sponsoring research into the educational development of young children.
- **Street Lighting Improvement Program** - The Street Lighting Improvement Program is an initiative of the Southern Sydney Regional Organisation of Councils (SSROC). It involves all 16 Councils in southern Sydney as well as 19 others in Ausgrid’s region that are also responsible for the provision of street lighting to their communities. The Street Lighting Improvement Program encompasses about 40% of all the street lighting in NSW and aims to achieve cost-effective, energy efficient and good quality street lighting.
- **Regional tenders for road making materials** – The NSROC group has been for a number of years called tenders for regional road making materials in order to achieve better prices for road works for the member Councils. Tenders are called by NSROC on behalf of the member Councils and the engineering group undertake the evaluation of the tenders.

- **Shore Regional Organisation of Councils (SHOROC)** – Ku-ring-gai has collaborated in a regional tender process with SHROC comprising of Mosman, Manly and Pittwater councils to work co-operatively for the financial benefit of the region. This encompassed water quality treatment panels, involving stormwater inspections, cleaning and maintenance contracts.
- **Sydney North Weeds Committee** – Coordination of weed management programs including allocating of grant funding across all tenure for Sydney North Region. Members include Ku-ring-gai, Pittwater, Ryde, Warringah, Willoughby, Mosman, Lane Cove, North Sydney, Hornsby, Hills, Parramatta and Hunters Hill Councils, and other land owners including OEH, Sydney Water and Crown Lands.
- **Urban Feral Animal Action Group (UFAAG)** - Established in 1998. The Action Group is comprised of key land management agencies of the Sydney North Region, including; Warringah Council, The Hills Council, Hornsby Council, Pittwater Council, City of Ryde Council, Ku-ring-gai Council, Manly Council, Lane Cove Council, Mosman Council, Parramatta Council, Willoughby Council, Hunters Hill Council, North Sydney Council, Taronga Zoo, Sydney Harbour Federation Trust, Forests NSW, Macquarie University, NSW National Parks and Wildlife Service (a part of the Department of Environment and Climate Change) and the Cumberland Livestock Health and Pest Authority (CLHPA). The UFAAG aims to share information and raise awareness about urban feral animals, educate agency members and develop the skills required to effectively manage pest animals, aid agencies in the strategic and effective implementation of control programs and generate publicity and educational material to raise public awareness.
- **Sydney Harbour Catchment Water Quality Improvement Plan** – Council is partnering with the Greater Sydney Local Land Services and a number of other metropolitan councils to improve the ongoing health of Sydney Harbour and its catchment. This program will provide modelling and decision support systems to enhance water quality management, particularly to consider changes in land use and management of stormwater pollutants for each council area to determine impacts of large developments and identify opportunities for local water quality improvements.

**Future directions 2015/16-2019/20**

- **NSROC Renewable Energy Master Plan** – Council is working with NSROC councils on a project that aims to identify the most effective ways in which Councils might jointly achieve a substantial increase in the proportion of renewable energy (RE) used across the region. The aim is to identify one or more new and innovative models that would be within the potential capacity of the councils to collectively deliver. The proposed RE installations would typically be above 350kW and therefore require funding and coordination beyond the capacity of a single council.
- Collaboration will continue to achieve State, regional and sub-regional objectives<sup>37</sup>.

**Criterion 7 - Credibility for more effective advocacy.**

Ku-ring-gai Council currently meets and exceeds this criterion which is demonstrated by the successful advocacy on behalf of our community. Examples include:

- 2014 Special Rate Variation for infrastructure.
- North Turramurra Recreation Area Levy.
- Environmental Levy.
- Town Centres LEP – completion of consultation and preparation/ adoption of new plan.
- Comprehensive Development Contributions Plan to assist in funding new infrastructure.
- Heritage conservation areas.
- M1 extension.
- Gordon public transport interchange project.
- Killara commuter carpark.

Council's credibility and advocacy role is further embedded in Council's Integrated Planning and Reporting documents as follows:<sup>38</sup>

**LEAD** - Council can act to draw together diverse interests and strive towards achieving common goals for Ku-ring-gai. Council also acts as a role model for others, through its own actions, strategic organisational responses and way of doing things.

<sup>37</sup> To avoid repetition also refer to Knowledge, Creative and Innovation (Criterion 4).

<sup>38</sup> See Ku-ring-gai Council Annual Report 2013-2014, p 22 at:  
[www.kmc.nsw.gov.au/annualreport](http://www.kmc.nsw.gov.au/annualreport) [accessed 29 June 2015]

**FACILITATE** - Council can assist in the formation of partnerships aimed at promoting the area and achieving the plan's long-term objectives as well as assisting with interaction between stakeholders and community groups.

**ADVOCATE** - Council seeks to improve services, facilities and opportunities for Ku-ring-gai and its communities by lobbying agencies and other levels of government. Council can also articulate Ku-ring-gai's long-term vision for its area to others and the opportunities that it presents for investment in the area.

**EDUCATE** - Council plays an important role in educating the community and other stakeholders on important objectives such as sustainability, sound environmental management practices, quality urban design and alternative transport options. Opportunities also exist for Council to explain the community's vision and how it will be progressed.

**DELIVER** - Council has a vital role in delivering the services needed by the community, and ensuring that the community and Council's resources are responsibly managed. Council's role as a service provider aims to assist in building the long-term sustainability of the area.

#### **Future directions 2015/16-2019/20**

Council will continue to advocate on behalf of the community to deliver the objectives identified in the Community Strategic Plan.

#### **Criteria 8 - Capable partner for State and Federal agencies.**

Ku-ring-gai Council is been involved in a number of significant joint ventures and partnerships at both State and Federal level as demonstrated by examples of the following projects:

#### **Partnerships with State and Federal agencies**

- **100 Resilient Cities Project**<sup>39</sup> Council is working cooperatively with 38 metropolitan councils as part of Sydney's recent inclusion in the 100 Resilient Cities (100RC) project. Pioneered by the Rockefeller Foundation, 100RC is dedicated to helping cities around the world become more resilient to the physical, social and economic challenges that are a growing part of the 21st century. 100RC supports the adoption and incorporation of a view of resilience that includes not just the shocks – earthquakes, fires, floods, etc. – but also the stresses that weaken the fabric of a city on a day to day or cyclical basis. Examples of these stresses include high unemployment; an overtaxed or inefficient public transportation system; endemic violence; or chronic food and water shortages.

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<sup>39</sup> 100 Resilient Cities Project details can be found at:  
<http://www.100resilientcities.org> [accessed 29 June 2015]



- **The Department of Regional Australia, Local Government, Arts and Sport** to deliver a \$5 million jointly funded water recycling facility to provide non-potable water source for the sustainable development of the North Turramurra Recreation Area. The facility includes a 10 megalitre storage dam and sediment control facility, a stormwater harvesting and bio filtration system and a sewer mining and treatment facility.
- **Transport for NSW (TfNSW)** – commuter car parking and transport interchange at Gordon station and the provision of additional commuter parking at Killara and Lindfield stations, along with *Easy Access* upgrades Lindfield & Turramurra Stations.
- **Department of Planning & Environment** – 26 allotment brown field subdivision (B2 residential subdivision). This partnership delivered environmental and recreational amenity through the subdivision and construction of a new residential land release which was financially successful for both agencies with sales of almost \$30 million which were shared on a 45/55 % basis. Of which Council used its near \$16 million share to fund its aquatic centre redevelopment.
- **Office of Environment and Heritage (OEH)** – Council is working in partnership with OEH to implement best practice flood risk management. In accordance with the NSW Government's floodplain risk management process, specifically the NSW Floodplain Development Manual (2005), Council has undertaken detailed flood studies of two of its catchments, formed a Flood Risk Management Committee with agency and community representation to guide Council on its flood risk management process.
- **Office of Environment & Heritage** – to create a biobanking site in the Ku-ring-gai Local Government Area and to secure in perpetuity funding for the management of the three reserves for the purpose of biodiversity conservation, and to showcase the NSW Government's Biobanking scheme. The Biobanking Agreement established a trust fund of \$1.6 million that provides an ongoing, annual income to Council to manage this significant bushland under the Linking Landscapes program.
- **Office of Environment & Heritage** – through National Parks & Wildlife Services (NPWS) – coordinated the transfer of 44 hectares of Council owned bushland into the adjacent to Lane Cove National Park to ensure the long term protection of the bushland and provide a singular management authority within the State Reserve system.

- **Defence Housing Australia (DFA)** – Voluntary Planning Agreement for a State Significant Approval which required the negotiation and delivery of 9,800m<sup>2</sup> soccer field and supporting amenity, 300m<sup>2</sup> multi- purpose community facility, new local roads and financial contribution towards the maintenance of new local roads and environmentally sensitive lands (Duffy's Forrest),

### **Future directions 2015/16-2019/20**

Council has been engaging with private sector partners on a without prejudice basis and has engaged a full team of architects, urban designers, valuation, property development, and feasibility specialists to develop and market test projects in Lindfield and Turramurra local centres and Gordon town centre<sup>40</sup>.

Projects of this type would have eluded any of the individual partners until this point in time, and are only possible with true cooperation between State agencies, Council and the private sector. They will have a truly transformational impact on the communities within which they are being planned. They are however, projects that are below the threshold of interest by Urban Growth NSW, so they require the vision and drive of a strong local authority to respond the challenges and opportunities presented at a local level.

Now that its planning controls have been implemented in accordance with Metro Strategy targets and the Government's Standard Template Instrument, Council is in the early stages of developing a number of its own town centre sites in what will be transformational place making projects. Council is working with the State Government through some of its key agencies to put together a number of mixed use projects which will be a hub for community facilities, include new commercial and retail spaces, new urban parks and plazas, possibly full line supermarkets on a number of sites, together with residential apartments and commuter parking.

#### **Criterion 9 - Resources to cope with complex and unexpected change.**

Ku-ring-gai Council currently meets and exceeds this criteria as it is already a large council with sufficient scale, funds and assets to effectively respond to complex and unexpected change including:

- Contingency funds to deal with disasters and emergencies.
- Emergency and disaster plans in place.

<sup>40</sup> Council's "Activate" project details can be found at [accessed 29 June 2015]:

[www.kmc.nsw.gov.au/activatelindfield](http://www.kmc.nsw.gov.au/activatelindfield)  
[www.kmc.nsw.gov.au/activateturramurra](http://www.kmc.nsw.gov.au/activateturramurra)  
[www.kmc.nsw.gov.au/activategordon](http://www.kmc.nsw.gov.au/activategordon)

- Business contingency plans in place.
- Best practice risk management systems and procedures to minimise potential risk events- including climate adaption and mitigation.
- Employment of a wide range of skilled and qualified staff with transferable skills.
- Access to additional external labour resources to perform work if and when required.

### Future directions 2015/16-2019/20

Council's current ability to respond will be retained.

#### Criterion 10 - High quality political and managerial leadership.

Ku-ring-gai was the joint winner of the 2014 A R Bluett Memorial Award in 2014 for being the highest achieving urban Council in NSW. Further examples how Council currently meets and exceeds this criterion are demonstrated by the following:

- Senior staff and elected members awarded industry recognition – 2014 A R Bluett Award for excellence in local government<sup>41</sup>.
- Senior staff and elected members awarded industry recognition – 2014 Ministers Awards for Women in Local Government – for outstanding contributions and achievements of women in local government in NSW. The Council's Director of Community Services Janice Bevan received the LG NSW Women in Local Government Award in 2013 for her services. Councillor Elaine Malicki also received a high commendation in the same award.
- Elected representatives and staff hold a variety of positions on regional Boards, Committees and Panels, including:
  - **The Sydney West Regional Planning Panel** – the principal function of the Panel is to determine regionally significant development applications.
  - **The Joint Regional Planning Panel** - a State Government appointed Panel which determines major development applications in the area.

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<sup>41</sup> Council's Bluett Award can be found at: [www.kmc.nsw.gov.au/bluett](http://www.kmc.nsw.gov.au/bluett) [accessed 29 June 2015]

- **Ku-ring-gai Youth Development Service Inc Management Committee (KYDS)** – a registered charity providing free counselling and mental health services for young people. The Committee oversees the clinical and educational activities of the organisation and monitors its financial sustainability.
- **Ku-ring-gai Police and Community Safety Committee** – this Committee is a peak body that works with the police in Hornsby and Ku-ring-gai to monitor and ensure public safety.
- **Northern Sydney District Community Engagement Board (CEB)** - in this regional body include a range of NSW Government Departments, peak community organisation and regional organisations of councils (ROCs). The purpose of the CEB is to deliver better health, social and economic outcomes for people in North Sydney by working together to engage the community and co-create service responses that will build and strengthen individual, family and community resilience. Current items under consideration include the Northern Sydney Ageing Strategy, Northern Sydney Youth Strategy, Northern Sydney Aboriginal Strategic Plan and rollout of the Collective NSW Strategy.
- **Metropolitan Public Libraries Association** – this Committee works to position libraries as a vital community service.
- **Waste Services Alliance** – this Committee comprises of representatives from Ku-ring-gai, Willoughby, Hunter’s Hill, Lane Cove and Ryde councils and manages how the councils will make decisions in relation to the procurement and management of a joint Municipal Solid Waste processing and disposal centre.
- **Greater Sydney Local Land Services - Local Government Advisory Group** - The Group was established to work in partnership with local councils and the Local Land Services (LLS) to ensure best practice management of natural resources, including weed management and pest control in areas under council jurisdiction. LLS provides guidelines, training and incentive programs and assists councils with weed and pest management plans.
- **Environmental Trust<sup>42</sup>** - The Panel consists of representatives of organisation across the natural areas industry. The Panel reviews grant

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<sup>42</sup> Office of Environment and Heritage (Environmental Trust) details can be found at:

applications with a level of expertise and to meet the aim and objectives of the Environmental Trust. Typically assessing 150 applications in each stream, to agree on the dissemination of funding per stream and present recommendations to the Minister for the Environment.

- **Hornsby/Ku-ring-gai Bushfire Management Committee<sup>43</sup>** – the Bushfire Management Committee (BFMC) provides a forum for cooperative and coordinated bushfire management in a local area. The Hornsby Ku-ring-gai BFMC is responsible for preparing, coordinating, reviewing and monitoring the Bush Fire Risk Management Plan for Hornsby and Ku-ring-gai and consists of a range of stakeholders such as land managers, fire authorities and community organisations that ensures the whole community has a say on bushfire management activities.
- **Rural Fire Service District Liaison Committee** – the Liaison Committee provide advice to the Commissioner on RFS operations and management. Including training, technical, community education and communications.
- **Northern Sydney Region of Councils (NSROC) – General Managers Group** - comprises Hornsby, Hunters Hill, Ku-ring-gai, Lane Cove, North Sydney, Ryde and Willoughby councils to strengthen the role of local government in regional affairs and to address regional issues, work co-operatively for the benefit of the region, and advocate on agreed regional positions and priorities.
- **Australian Institute of Building Surveyors (AIBS) - NSW/ACT Chapter President and Building Professionals Board** – AIBS representative on this Board which is a Cross Agency Advisory Group whose purpose is to review the *NSW Swimming Pools Act, 1992* and inspection program.
- **The Children’s Hospital Westmead – Swimming Pool Safety Working Group** – a subcommittee of the **NSW Government Water Advisory Committee** – of which Council staff is the AIBS representative.
- **Northern Sydney Regional Food Group** - Panel members liaise on matters of regional significance for food safety/legislation related matters.

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<http://www.environment.nsw.gov.au/grants/envtrust.htm> [accessed 29 June 2015]

<sup>43</sup> Hornsby/ Ku-ring-gai Bushfire Management Committee can be found at:

<http://www.hkbfmc.org.au/?D=1> [accessed 29 June 2015]

- **Northern Sydney Regional Environmental Health Group** – Panel members liaise on matters of regional significance for public health related matters.
  - **State Liaison Food Group** – Members representative for the Northern Sydney Region on matters of state significance for food safety/legislation related matters.
- Leadership programs, induction and training in place for elected representatives and staff. As part of Council's commitment to continuous improvement.
  - Senior staff are participating in a Management Colloquium training program, through the Australian School of Applied Management<sup>44</sup> which is based on 360 degree feedback, self-awareness and coaching by an experienced business mentor.
  - Council currently employs a wide range of skilled and qualified staff who are recognised for their innovation and excellence locally, nationally and internationally.
  - Council has established business contingency plans in place.

#### **Future directions 2015/16-2019/20**

As part of its commitment to continuous improvement senior staff are undergoing Colloquium training program, through Australian School of Applied Management The intention of the program is to stimulate strategic and lateral thinking among managers and encourage them to promote the same qualities in their staff. The program commenced in April 2014 and forms part a continuous improvement program for all staff over the next few years.

A strength, weaknesses, opportunities and threats (SWOT)<sup>45</sup> analysis was carried out assessing Council's strategic capacity.

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<sup>44</sup> Australia School of Applied Management details can be found at:  
<http://www.asam.edu.au/programs-aamc.html> [accessed 29 June 2015]

<sup>45</sup> **Appendix J.**

**Summary**

This section reiterates inconsistencies and weaknesses in ILGRP's rationale that scale is a key component of strategic capacity.

Further, the NSW Office of Local Government's Fit for the Future *A roadmap for Stronger, Smarter, Councils (page 8) states*

*"A Fit for the Future council is one that:*

- ✓ Saves money on bureaucracy and administration, freeing up funds for front-line services and community facilities*
- ✓ Can contribute to projects and tackle issues that impact on its residents and extend beyond the council boundary; and*
- ✓ Has credibility and influence across councils, across governments and with industry."*

The information contained in this section of our submission provides an overview of the body of work undertaken by staff and elected members in delivering the long term objectives of community. There can be no denying the calibre and professionalism of Council's achievement in addressing scale and strategic capacity.

## 5. Council's responses and process

### 5.1 Background and context

#### NSW Local Government Reforms

During 2012 – 2013 the NSW government released four major reform proposals for consideration by local councils and their communities. The reform proposals included:

- Independent Local Government Review Panel's Future Directions for NSW Local Government.
- A New Planning System for NSW – White Paper.
- Draft Metropolitan Strategy for Sydney to 2031.
- Local Government Act Review.

Ku-ring-gai Council prepared a comprehensive submission for each proposed reform to advise the government of those proposed changes that it supported and more particularly those changes that would have significant impacts on the residents of Ku-ring-gai.

Further to those original submissions Council made a second submission in regard to the Final Report of the Local Government Act Review, following its release. More recently the NSW Government has released its "Fit for the Future" proposal for local government with submissions due by 30 June 2015.

#### Independent Local Government Review Panel

The Independent Local Government Review Panel (ILGRP) was appointed by the Minister for Local Government in March 2012.

In April 2013 the ILGRP released its paper "Future Directions for NSW Local Government - Twenty Essential Steps" for consultation with Councils.

#### ILGRP's Panel's Objectives

Based on its investigations, the ILGRP identified, what were in its opinion, essential elements of an effective system of local government (previously set out in its Case for Sustainable Change). These are:

- Councils with the scale, resources and "strategic capacity" to govern effectively and to provide a strong voice for their communities.
- Maintenance of a strong sense of local identity and place.
- Councils with an adequate revenue base (own source or grants) relative to their functions, healthy balance sheets, and sound financial management.



- Councils renowned for their efficiency and focus on outcomes, based on the Integrated Planning and Reporting framework.
- Regional groupings of councils that share resources on a large scale and jointly plan and advocate for their regions.
- Councils that have highly skilled mayors, councillors and executive teams; and are respected by the State government and community alike.
- Mayors who are recognised leaders both within the council and throughout the local community, and enjoy a positive reputation for that leadership.
- An electoral system designed to ensure that as far as possible councils are representative of the make-up and varied interests of their communities.
- A Local Government Act that minimises prescription and provides a range of options for the way councils and regional bodies are structured.
- Effective mechanisms for State-local consultation, joint planning, policy development and operational partnerships.
- A local government association that is focused on strategy; a well-informed, dynamic advocate; a leader in reform; and a troubleshooter.
- A constructive relationship between employers, employees and employee organisations focused on improving productivity, performance and rewards.<sup>46</sup>

The ILGRP also identified a series of recommendations to amalgamate metropolitan Sydney councils with population sizes varying from 250,000 to 780,000 by 2036. Its objectives for Metropolitan Sydney were stated as:

- Create high capacity councils that can better represent and serve their local communities on metropolitan issues, and be true partners of State and federal agencies.
- Establish a more equitable pattern of local government across the metropolitan area, taking into account planned development.
- Underpin Sydney's status as a global city (in particular, we will consider the specific objectives for the City of Sydney LGA in meeting the State's objectives for a global city, which are quite distinct from the objectives for other suburban areas of Sydney; and

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<sup>46</sup> ILGRP, *Revitalising Local Government - Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 31.

- Support implementation of the Metropolitan Strategy, especially the planning and development of major centres and the preparation and implementation of sub-regional Delivery Plans.<sup>47</sup>

In relation to Ku-ring-gai Council, the ILGRP recommended amalgamation with Hornsby Shire Council.

### **ILGRP objectives and recommendation for Ku-ring-gai Council**

Following a consultation period, the ILGRP's Final Report was released to local government in October 2013. The following options for Hornsby and Ku-ring-gai Councils were listed, with their preferred option identified in the report in bold:

- ***Amalgamate or***
- *Combine as strong Joint Organisation; and*
- *Boundary with Parramatta shifted to M2.*

The rationale for the ILGRP's recommendation for Hornsby and Ku-ring-gai was very brief, as follows:

- *Projected 2031 population 348,800 (would be reduced somewhat by boundary change).*
- *See comments above re Parramatta boundary change.*
- *Strong socio-economic and urban links.*

### **NSW Government's Fit for the Future proposal**

In September 2014 the NSW State government released its "Fit for the Future" proposal in response to NSW Councils' submissions. The proposal requires all councils in the Sydney Metropolitan Area to submit details on how they will meet specific financial, capacity and scale criteria published by the NSW Government over the medium to long term.

According to the government, the Fit for the Future reforms aim to help councils and their communities take advantage of emerging opportunities, to grow outside their existing boundaries and play an active part in shaping Sydney's future.

Councils have been asked to benchmark themselves against set criteria (sustainability, efficiency, effectiveness and scale and capacity) and to assess ideas and options. Councils have the option of submitting a proposal for improvement to the government, under which they remain independent but can meet the set criteria. Alternatively they can submit a proposal for amalgamation with other councils so they can meet the set criteria.

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<sup>47</sup> ILGRP, *Revitalising Local Government - Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 98-99.

## **IPART's Methodology for Assessment**

In April 2015 the NSW Government appointed the Independent Pricing and Regulatory Tribunal (IPART) as the Expert Advisory Panel to assess local government Fit for the Future (FFTF) proposals. Proposals will be assessed against IPART's Assessment Methodology.

Following public consultation on its draft methodology during May 2015, IPART published its final assessment methodology on Friday 5 June 2015.

IPART have confirmed that each council must use the ILGRP preferred options as a starting point to assess whether the scale objectives of ILGRP are broadly met and the strategic capacity requirements are satisfied.

In assessing council proposals IPART will:

1. Use the population estimates included with the ILGRP's recommended options, as a guide.
2. Assess Council's demonstration of how it meets the strategic capacity criterion, particularly if it chooses options different from the ILGRP's recommendation.
3. Assess Council's adoption of an alternative option which is broadly consistent with ILGRP objectives for scale and the features of strategic capacity, where the preferred option was not considered the best option by council.

In addition, IPART intends to examine the proposal's consistency with the broader regional and state-wide objectives of the ILGRP's preferred option, including economic, transport, regional planning and equity objectives.

There is limited guidance available as to the criteria for scale and capacity, although the Fit for the Future guidelines do list the following as issues taken into account:

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

## 5.2 Council's assessment process

Ku-ring-gai Council has consistently advised the NSW Government, that the Government's preferred option for Ku-ring-gai to amalgamate with Hornsby Shire Council, has not been substantiated by any analysis of the costs and benefits of an amalgamation. A chronology of Ku-ring-gai Council's responses to the NSW Government's proposals can be found in **Appendix A**.

In response to the NSW Government's Fit for the Future proposal Council established an internal steering group comprising executive and senior managers and key professional and technical staff to undertake a comprehensive review of the required elements of the Government's proposal to amalgamate with Hornsby Shire. That review included:

- an analysis and review of Council's finances and how it carries out its operations
- an evaluation of ILGRP's scale and capacity criterion, as adopted by IPART;
- a detailed analysis of ILGRP's preferred option for Ku-ring-gai Council to amalgamate with Hornsby Shire Council, including an assessment of the costs and benefits of an amalgamation;
- proactive investigation of other potential amalgamation options with surrounding councils;
- proactive discussions with Hornsby Shire Council regarding the potential option for amalgamation, facilitated by the Office of Local Government (OLG) endorsed consultants Morrison Low; and
- investigation of ILGRP's other recommended option to combine as a strong Joint Organisation.

Council also completed a comprehensive community information and engagement process which commenced in 2013 and continued through to June 2015. Details and results of the community information and engagement process can be found in Section 17 and **Appendix H**.

Based on the findings and results of Council's rigorous assessment process outlined above Ku-ring-gai Council decided on the 28 April 2015 that:

- an amalgamation with Hornsby Shire Council would be highly unfavourable for the residents and ratepayers of Ku-ring-gai and would not be further considered; and
- Council satisfies the stated criterion for scale and strategic capacity without the need for structural change and will submit an Improvement Proposal to meet the requirements of Fit for the Future.

In June 2015 Council endorsed a draft Improvement Proposal for submission to IPART.

## Part B – Business case to stand alone

### 6. Analysis of potential amalgamation with Hornsby Shire Council

The information presented in this section compares key characteristics of Ku-ring-gai and Hornsby Shire Councils and where relevant, characteristics and statistics of an amalgamated council. Information is based on publicly available documents and reports.

#### 6.1 Comparison of Ku-ring-gai and Hornsby Shire Councils

##### 6.1.1 Physical, natural and built environment

The following table identifies key similarities and differences between Ku-ring-gai and Hornsby Councils. While the councils are geographically close in Greater Sydney there are significant differences in their physical characteristics, natural and built environments.

**Table 3: Major differences and similarities between Ku-ring-gai and Hornsby Councils**

| Ku-ring-gai   | Hornsby   |
|---|---|
| <p><b>Location</b></p> <ul style="list-style-type: none"> <li>- Northern Sydney region</li> <li>- “middle ring” council in Metropolitan Sydney (See <b>Map 1 on page 47</b>), situated 16 km from Sydney CBD</li> <li>- classified Category 3 – large Metropolitan Council <sup>48</sup></li> </ul> | <p><b>Location</b></p> <ul style="list-style-type: none"> <li>- Northern Sydney region</li> <li>- “outer ring” council on northern edge of Sydney Metropolitan Area (See <b>Map 1 on page 47</b>)</li> <li>- classified Category 7 – Metropolitan Fringe Council <sup>49</sup></li> </ul>   |
| <p><b>Area</b></p> <ul style="list-style-type: none"> <li>- 85km<sup>2</sup></li> </ul> <p><b>Features</b></p> <ul style="list-style-type: none"> <li>- compact shape</li> <li>- lies on main northern plateau with ridges and gullies east and west</li> </ul>                                     | <p><b>Area</b></p> <ul style="list-style-type: none"> <li>- 510km<sup>2</sup> (6 times the size of Ku-ring-gai)</li> </ul> <p><b>Features</b></p> <ul style="list-style-type: none"> <li>- very large elongated shape</li> <li>- complex topography with two distinct features: eastern half on Hornsby Plateau while western half drops steeply into the Hawkesbury Valley.</li> </ul> |
| <p><b>Boundaries</b> (with other councils – see <b>Map 2 and 3 on pages 48-49</b>)</p> <ul style="list-style-type: none"> <li>- adjacent to four councils (Willoughby, Ryde, Warringah and Hornsby)</li> <li>- <b>longest boundary interface – 18.92km to Warringah Council</b></li> </ul>          | <p><b>Boundaries</b> (with other councils – see <b>Map 2 and 3 on pages 48-49</b>)</p> <ul style="list-style-type: none"> <li>- adjacent to seven councils (Gosford, The Hills, Ryde, Parramatta, Ku-ring-gai, Warringah, Pittwater)</li> <li>- <b>longest boundary interface – 53.09km to The Hills</b></li> </ul>   |

<sup>48</sup> NSW Office of Local Government, Comparative Information on NSW Local Government - Measuring Local Government Performance 2012/13 - Part 2, June 2014, pp 349-351.

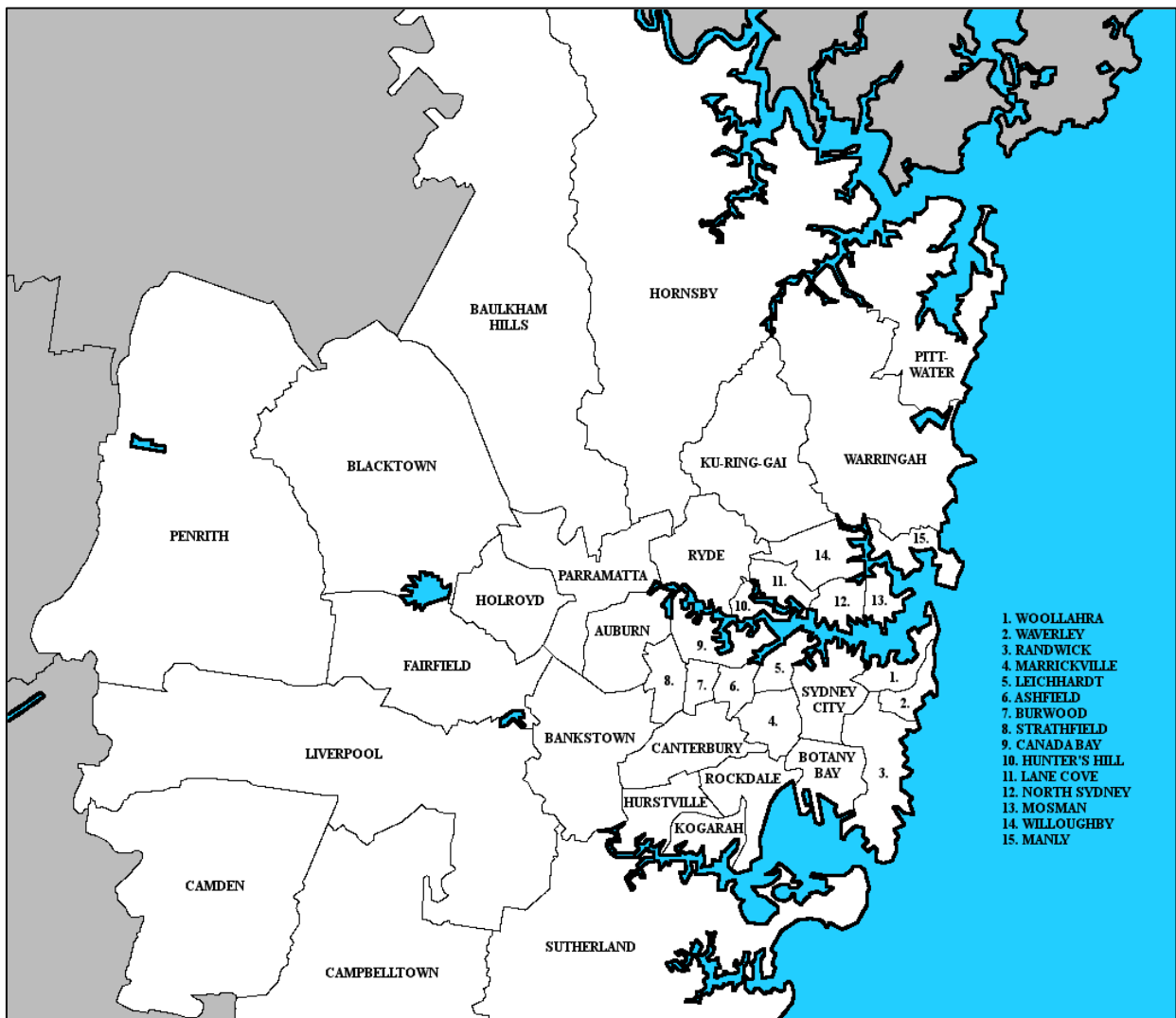
<sup>49</sup> NSW Office of Local Government, Comparative Information on NSW Local Government - Measuring Local Government Performance 2012/13 - Part 2, June 2014, pp 349-351.

| Ku-ring-gai   | Hornsby  |
|---|--|
| <p><b>Natural Environment</b></p> <ul style="list-style-type: none"> <li>- Adjoins 3 National Parks</li> <li>- Includes 3148 ha of bushland (1161 ha under Council's control)</li> <li>- Includes nationally significant biodiversity</li> <li>- 150 bushland reserves, nationally significant ecological communities (remnant Blue Gum Forest and Sydney Turpentine Ironbark Forest, a number of threatened flora and fauna)</li> <li>- Significant tree canopy throughout urban areas is defining feature</li> <li>- 101 identified Aboriginal heritage sites</li> </ul>  | <p><b>Natural Environment</b></p> <ul style="list-style-type: none"> <li>- Approx 340km<sup>2</sup> (67%) of the LGA is National Park or environmental protection</li> <li>- 1800 ha of bushland under Council's control</li> <li>- Includes nationally significant biodiversity, mainly in National Parks</li> <li>- Very diverse environmental features including 67% bushland, major river and tributary creek and estuary systems, sand deposits and alluvial flats.</li> <li>- Significantly diminished tree canopy in urban areas</li> <li>- 235 identified Aboriginal heritage sites (1996)</li> </ul>          |
| <p><b>Natural Waterways (major)</b></p> <ul style="list-style-type: none"> <li>- some bushland foreshore frontage to Lane Cove River (6.39km) and Middle Harbour (9.78km).</li> </ul>   | <p><b>Natural Waterways (major)</b></p> <ul style="list-style-type: none"> <li>- 170km of foreshore frontage to the Hawkesbury River and major tributaries Berowra Creek and Cowan Creek.</li> </ul>   |
| <p><b>Pattern of Development/ Land Uses</b></p> <ul style="list-style-type: none"> <li>- Evenly distributed urban areas developed around the main north-south rail and road links with intersecting bushland areas along creeks, gullies, identified bushland corridors and riparian zones.</li> <li>- Predominantly residential with dispersed business and commercial areas (see Land use zones in Table 4)</li> </ul>  | <p><b>Pattern of Development/ Land Uses</b></p> <ul style="list-style-type: none"> <li>- Diverse mix of residential, commercial and industrial areas with significant rural areas and river settlements. (See Table 4)</li> <li>- Fragmented low density development outside urban areas including dispersed village communities, river and rural settlements.</li> <li>- Urban areas are concentrated into 10% of southern sector of the LGA</li> </ul>   |
| <p><b>Urban Interfaces</b></p> <ul style="list-style-type: none"> <li>- direct urban interface with Willoughby (approx. 3.4 km) and Hornsby Shire (approx. 4.18km)</li> </ul>   | <p><b>Urban Interfaces</b></p> <ul style="list-style-type: none"> <li>- direct urban interface with The Hills(13.0km), Parramatta(4.84km) and Ku-ring-gai (4.18km)</li> <li>- direct residential/rural interface with the Hills (12.7km)</li> </ul>  |
| <p><b>Built environment</b></p> <ul style="list-style-type: none"> <li>- predominantly detached residential dwellings, generally larger than Sydney average.</li> <li>- substantial medium to high density residential development (up to 7 storeys) spread along the Pacific Highway, north shore railway line and adjacent to commercial centres.</li> <li>- Seven commercial centres located along the North Shore rail line and Mona Vale Road with mixed retail, office and service uses.</li> <li>- limited light industrial and business park uses.</li> <li>- Significant European built heritage (943 European Heritage items) in a relatively compact urban area and 50 Heritage Conservation Areas.</li> </ul> | <p><b>Built environment</b></p> <ul style="list-style-type: none"> <li>- predominantly detached residential dwellings of varying sizes.</li> <li>- substantial high density residential development (up to 10+ storeys) concentrated around Hornsby commercial centre and Waitara.</li> <li>- one large commercial centre at Hornsby with regional shopping centre and local offices.</li> <li>- 4-5 local commercial centres with mixed retail, office and service uses (includes part of Epping Town Centre Activation Precinct)</li> <li>- 800 Heritage items over entire LGA and 11 conservation areas.</li> </ul> |

**Sydney Metropolitan context – regional**

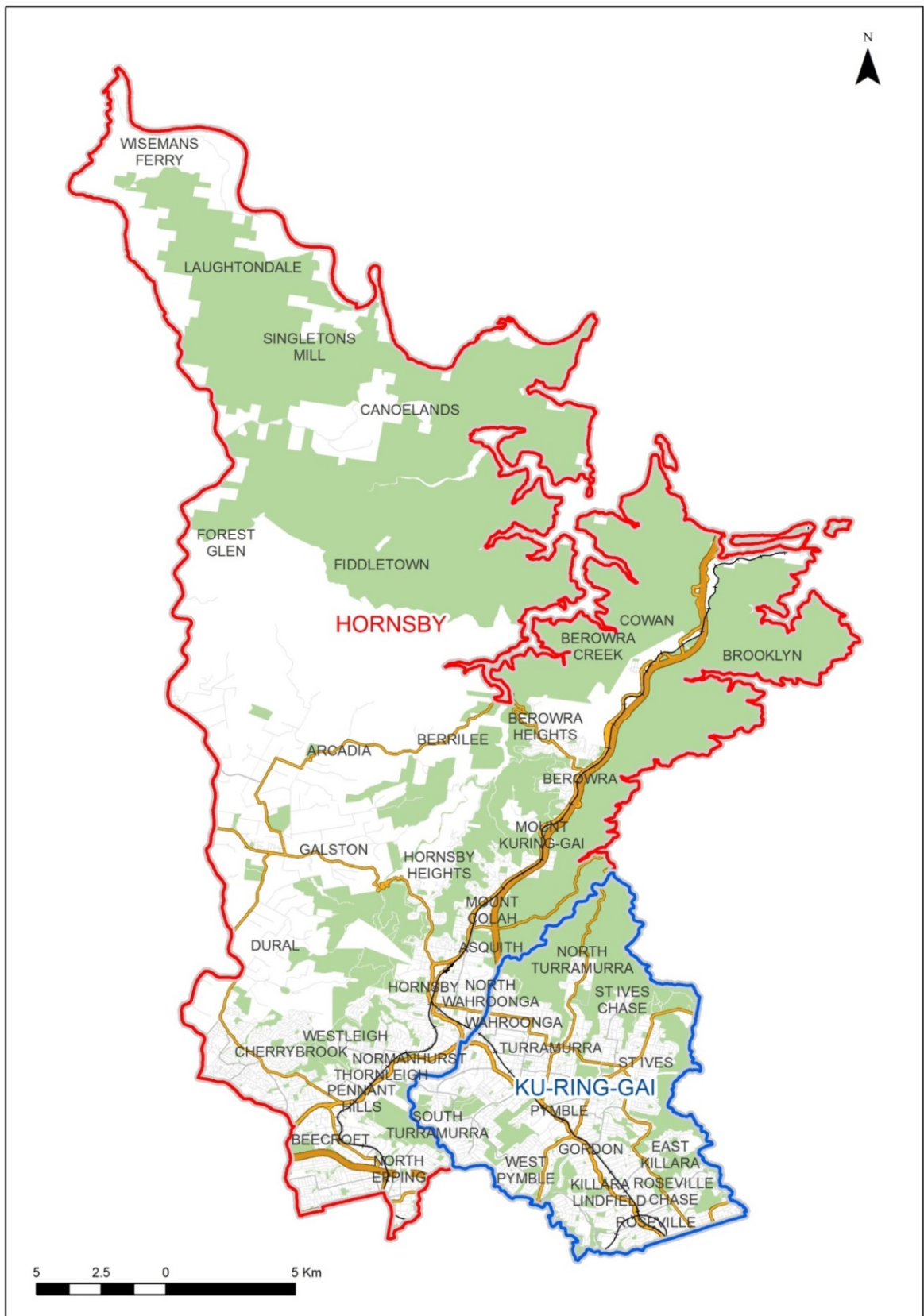
Both Ku-ring-gai and Hornsby are members of the Northern Sydney Regional Organisations of Councils, known as NSROC. NSROC is made up of 7 councils including Willoughby, North Sydney, Ryde, Hornsby, Hunters Hill and Lane Cove.

Ku-ring-gai and Hornsby are also part of the NSW Department of Planning’s Greater Sydney’s Northern Region, one of six subregions identified in the State’s planning policy “A Plan for Growing Sydney”.



**Map 1: Metropolitan Sydney Council's**

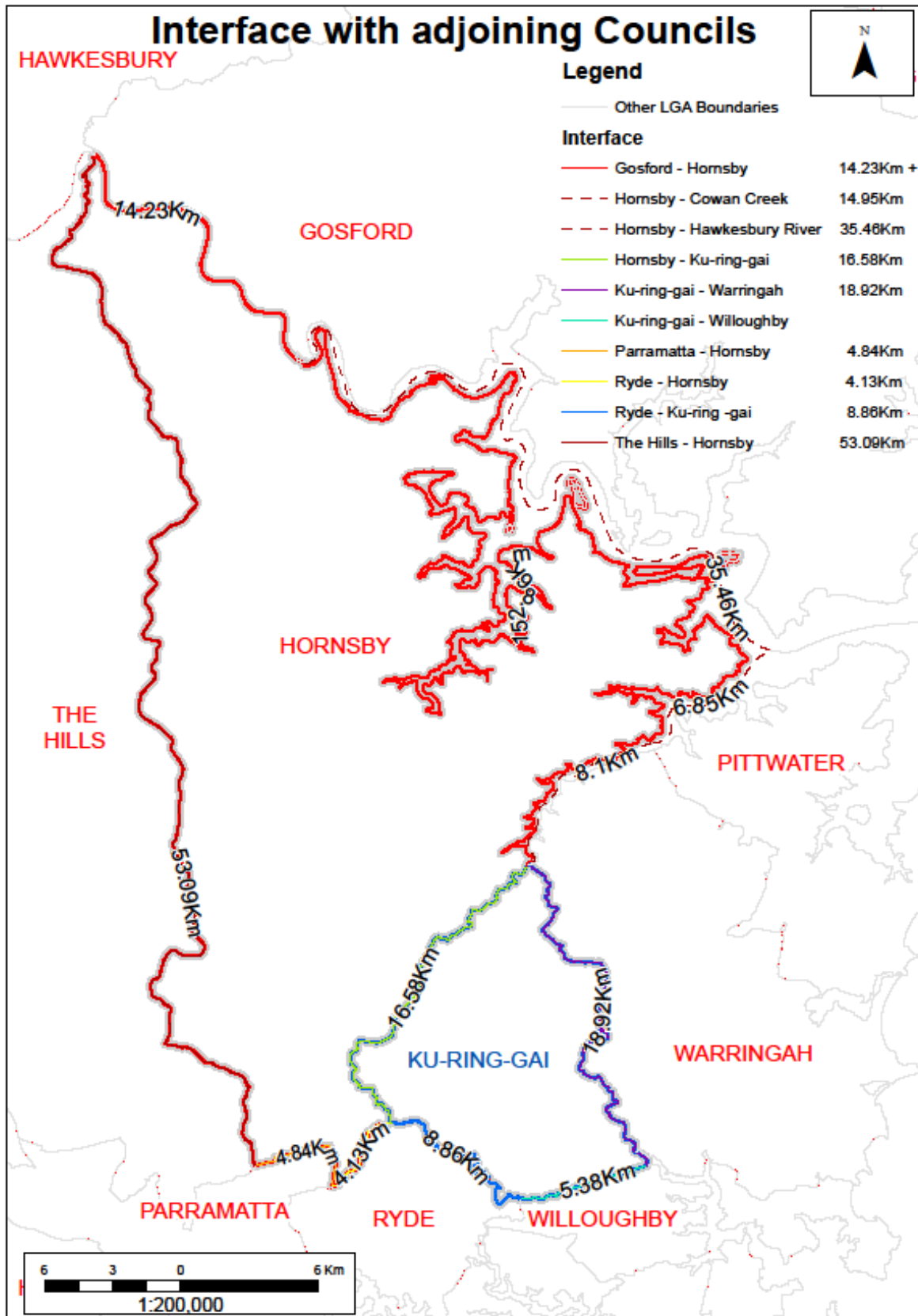
Source: Ku-ring-gai Council



**Map 2: Hornsby Shire Council and Ku-ring-gai Council boundaries**

Source: Ku-ring-gai Council's Geographical Information System. Cadastral information from NSW Land and Property Information.





**Map 3: Interface with adjoining Councils**

Source: Ku-ring-gai Council's Geographical Information System. Cadastral information from NSW Land and Property Information.

## Land Use Zonings

Table 4 below indicates total land areas zoned for different land uses in each council. The table shows the following significant differences between the councils:

- Hornsby has significant rural zoned areas and to a lesser extent industrial zoned areas. Ku-ring-gai Council has predominantly residential, commercial and some business park areas only.
- Hornsby has 7 times the area utilised for local open space (parks, sportgrounds, etc) when compared with Ku-ring-gai.
- Hornsby has significantly larger areas zoned for residential uses and business uses.

**Table 4: Land Use Zonings**

| Land use zonings (ha)                    | Ku-ring-gai | Hornsby  | Combined |
|--|-------------|----------|----------|
| Residential                              | 3,873.38    | 4,780.00 | 8,653.38 |
| Rural                                    | 0           | 2,780.00 | 2,780    |
| Industrial                               | 0           | 167.80   | 167.80   |
| Business                                 | 64.98       | 116.40   | 181.30   |
| Open Space<br>(parks, sportsgrounds etc) | 359.30      | 2,460.00 | 2,819.30 |

## Land use planning policies and objectives

A high level assessment of Ku-ring-gai and Hornsby's major Local Environmental Plans (LEPs) was undertaken to compare their respective emphasis on the following areas:

- protection and management of the natural environment;
- protection of the built environment and heritage character of their existing urban areas; and
- approach to growth and development.

Our review shows marked differences in emphasis between the two councils.

While both councils include aims to protect the environment Ku-ring-gai has a very strong emphasis is on protecting, conserving and sustainably managing the natural environment, improving water quality, facilitating climate change adaptation and managing risks to the community and the environment in areas subject to natural hazards and risks. Six out of ten aims are focussed on these areas. In comparison Hornsby's major emphasis is on facilitating development to create progressive town centres and economically thriving areas connected by efficient transport and infrastructure systems.

See extracts of the Council's major LEPs in **Appendix G**.

### 6.1.2 Social and economic characteristics

The following sections compare and discuss the socio-economic characteristics of each council, and the characteristics of a combined council where relevant, including implications for social and economic needs.

#### Social characteristics

- **Population**

Estimated current and projected population for Ku-ring-gai Council and Hornsby Shire Councils are:

- Ku-ring-gai - 119,027 (ERP 2014) and projected 151,100 (2031)
- Hornsby - 166,855 (ERP 2014) and projected 201,750 (2031)<sup>50</sup>

Both councils' populations are classed as large to very large when compared to current NSW and Metropolitan Sydney local government areas, local governments in other Australian states and overseas local government.<sup>51</sup>

An amalgamated council would have a population of 285,882 (ERP 2013), one of the highest currently in the Sydney Metropolitan Area (currently exceeded only by Blacktown at 325,185). Based on the NSW Government's current projected populations to 2031 a combined council would have a population of 352,850, one of the largest in Metropolitan Sydney. Revised population and dwelling projections for the Sydney Metropolitan Area will be published in late 2015.

Population forecasts indicate that between 2011 and 2036 Ku-ring-gai will have an average annual population increase greater than Hornsby Shire and a higher average household size.<sup>52</sup>

This forecast growth trend indicates that Ku-ring-gai's population will continue to draw closer to that of Hornsby beyond 2036. See Table 5.<sup>53</sup>

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<sup>50</sup> NSW Planning and Environment, *NSW State and Local Government Area Population, Household and Dwelling Projections*, 2014.

<sup>51</sup> Refer to Table 1 page 12.

<sup>52</sup> Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 34.

<sup>53</sup> Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 31.

- **Age Structure**

Service age groups divide the population into age categories that reflect typical life-stages. They also indicate the level of demand for services that people need at different life cycle stages and how that demand is changing.

The age structures of Ku-ring-gai and Hornsby councils have a “mature family” age structure with high proportions of teenagers and young adults, a diminished young working adult group (25 – 35), as well as a very large group of parents and homebuilders in the 35 – 49 years age group. There are also significant numbers of older workers, retirees and elderly.

**Table 5: Ku-ring-gai and Hornsby Councils population forecasts 2011-2036**

## Ku-ring-gai

|                                     | 2011   | 2016   | 2021   | 2026   | 2031   | 2036   |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| Population                          | 114564 | 124820 | 132242 | 139363 | 145775 | 151508 |
| Change in Population (5yrs)         |        | 10256  | 7422   | 7121   | 6412   | 5733   |
| Average Annual change %             |        | 1.73   | 1.16   | 1.05   | 0.9    | 0.77   |
| Households                          | 37895  | 40818  | 43216  | 45822  | 48301  | 50714  |
| Average household size              | 2.97   | 3      | 3      | 2.99   | 2.96   | 2.92   |
| Population in non-private dwellings | 2099   | 2421   | 2421   | 2505   | 2974   | 3199   |
| Dwellings                           | 40077  | 43070  | 45575  | 48257  | 50857  | 53437  |
| Dwelling occupancy rate             | 94.56  | 94.77  | 94.82  | 94.95  | 94.97  | 94.9   |

Source: .id – SAFi population forecasts, 2011-2036

## Hornsby

|                                     | 2011   | 2016   | 2021   | 2026   | 2031   | 2036   |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| Population                          | 163906 | 171885 | 180218 | 186612 | 192058 | 196615 |
| Change in Population (5yrs)         |        | 7979   | 8333   | 6394   | 5446   | 4557   |
| Average Annual change %             |        | 0.96   | 0.95   | 0.7    | 0.58   | 0.47   |
| Households                          | 56207  | 58383  | 60933  | 63306  | 65644  | 67857  |
| Average household size              | 2.87   | 2.89   | 2.9    | 2.89   | 2.87   | 2.85   |
| Population in non-private dwellings | 2867   | 3113   | 3341   | 3521   | 3541   | 3561   |
| Dwellings                           | 57781  | 59867  | 62438  | 64816  | 67188  | 69503  |
| Dwelling occupancy rate             | 97.28  | 97.52  | 97.59  | 97.67  | 97.7   | 97.63  |

Source: .id – SAFi population forecasts, 2011-2036

Differences in age structure between the two councils include:

- Ku-ring-gai has a significantly higher proportion of teenagers and primary school age children
- Ku-ring-gai's young adult workforce drops more significantly after age 25, indicating that young adults are staying in the home for longer in Ku-ring-gai
- Ku-ring-gai has markedly more seniors and elderly 70 + years.

A combined council would have an age structure with even more pronounced and extreme characteristics of significant numbers of school age children and teenagers, mature families as well as seniors and very elderly. This would have implications for availability of school education, recreation and social services for young people at one end of the age structure as well as aged care services and accommodation at the other end.

- **Cultural diversity**

Analysis of the 2011 census statistics indicates that Hornsby's population is more culturally diverse than Ku-ring-gai with 21% of Ku-ring-gai's population speaking a language other than English at home compared with Hornsby at 28%.

The top 10 languages spoken at home were:

**Ku-ring-gai:** Cantonese, Mandarin, Korean, Persian, Japanese, German, Hindi, Italian, Spanish, Greek

**Hornsby:** Cantonese, Mandarin, Korean, Hindi, Arabic, Persian, Italian, Spanish, Sinhalese, Tamil

Ku-ring-gai has a large population born in the UK, and also a relatively large South African born population. The largest population increase over the last 5 years was in the Chinese born population, which is already a significant community in neighbouring Hornsby. Within Ku-ring-gai the non-English speaking background (NESB) population is predominantly found in the higher density areas along the railway line and Pacific Highway.<sup>54</sup> In Hornsby the NESB population located in the higher density areas adjacent to Hornsby Centre as well as detached housing areas at Cherrybrook, Pennant Hills, Epping and Carlingford. Like most areas in Sydney, the percentage of residents from non-English speaking backgrounds has increased significantly over the past 5 years. Based on current national migration numbers, and the majority of new residents seeking to live in Sydney or Melbourne, that trend is likely to continue.

A combined council would have a significantly more diverse population with implications for increased language assistance services across all age groups and service areas and isolation of sections of the population.

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<sup>54</sup> Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 34.

- **Household type**

The predominant household type in both Ku-ring-gai and Hornsby are mature families with older children with 46% and 44% of households being couples with children respectively. These numbers are higher than the Sydney average. Other key household types include couples without children and increasingly lone person households. Many of the couples without children are in the 65 + age bracket.

Ku-ring-gai has the highest average household size of 2.87 persons per households (ABS 2011 census) in the Northern Sydney region. This is a slight decrease from earlier figures due likely to older children leaving home, an increase in empty nesters and a significant increase in high density housing over the past 5 + years. Hornsby has an average household size of 2.83 persons per households (ABS 2011 census).<sup>55</sup>

- **Dwelling diversity**

Dwelling diversity differs considerably between the councils. While both councils have very high proportions of separate houses, above the Sydney average, Ku-ring-gai has the most homogenous housing stock comprising generally larger houses on larger than average lots. In comparison Hornsby has a diverse mix of detached dwellings including both larger and modest housing areas and a mix of dwellings in rural villages and river settlements.

Ku-ring-gai has a significant number of medium to high density dwellings located along the Pacific Highway and railway line, with significant numbers of high density dwellings built in the last 5 + years in these areas, as well as along Mona Vale Road in St Ives.

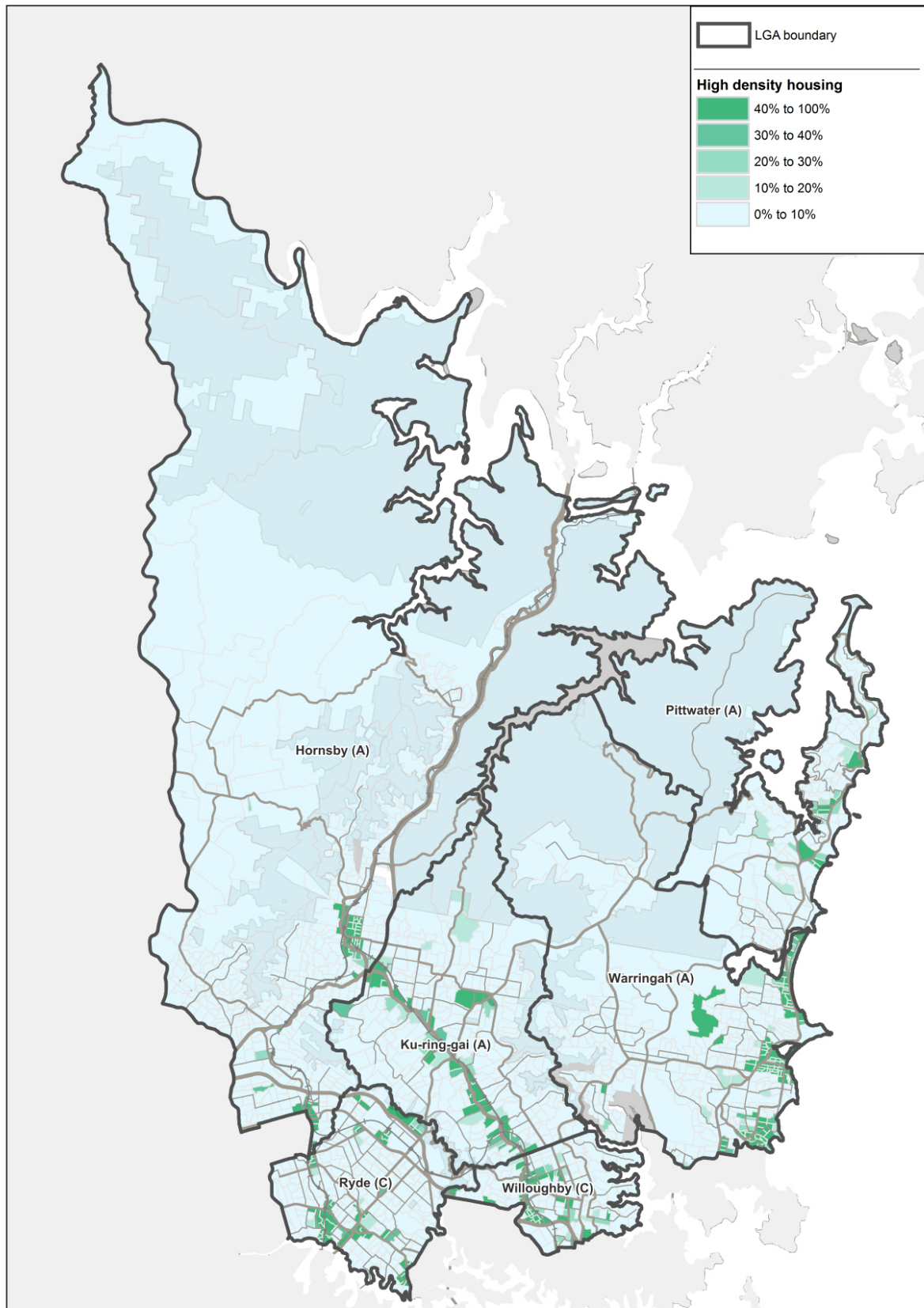
Hornsby's proportion of high density dwellings is still higher than Ku-ring-gai, mainly due to very high density and concentrated apartment blocks in central Hornsby and Waitara.

Map 4 (page 55) shows the extent of higher density housing through Willoughby, Ku-ring-gai and Hornsby.<sup>56</sup>

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<sup>55</sup> Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 22.

<sup>56</sup> Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 27.



**Map 4: Distribution of high density housing (flats - 3 or more storey blocks) across 6 LGAs, 2011**

Source: Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 27.

- **Education**

Ku-ring-gai has significantly higher levels of post school qualifications than Hornsby, well above the Greater Sydney average, with the majority at degree level. Hornsby has significantly higher levels of vocational qualifications or no qualifications.

Compared to the Sydney average Ku-ring-gai has much higher levels of attendance at primary and secondary schools, reflecting the availability of both state and private schools in the area. Attendance at independent secondary schools (not government or Catholic) is more than four times the rate across Greater Sydney.

- **Employment status**

Both Ku-ring-gai and Hornsby Councils have relatively high labour force participation. Hornsby's rate of 65% is above the Greater Sydney average, while Ku-ring-gai's, over 60%, is just below the Greater Sydney average. This is reflective of Ku-ring-gai's older age structure.

Both councils have very low unemployment rates.

- **Household incomes**

Household income is one of the most important indicators of socio-economic status, as, along with other indicators of qualifications and occupation, it helps reveal economic opportunities and socio-economic status.

In 2011 Ku-ring-gai had the highest median income of any LGA in NSW, almost double the state average per week. Hornsby also has relatively high incomes, compared with the Sydney average, but not to the same extent as Ku-ring-gai.

- **Index of disadvantage**

The SEIFA index of disadvantage is an aggregate measure that takes into account aspects of disadvantage such as high unemployment, low skilled occupations, low education levels and incomes, to score each area on a continuum from very disadvantaged to highly advantaged. It is derived from the 2011 Census and is used to compare areas. The average for Australia is approximately 1,000, with lower numbers indicating more disadvantage and higher numbers less disadvantage.

At the 2011 Census both Ku-ring-gai and Hornsby councils were above the Australian average, indicating very low disadvantage.<sup>57</sup>

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<sup>57</sup> Australian Bureau of Statistics Census 2011.



## Economic characteristics

Analysis of economic and employment information highlighted a number of differences between the two councils.

### Business and job comparison

The table below compares the number of businesses and jobs in Ku-ring-gai and Hornsby Councils in 2013 and as a combined Council. It also shows the largest industries and contribution of the local economies to regional gross regional product (GRP). The table shows that Ku-ring-gai has a mature and well - developed tertiary economy with significantly high numbers of businesses and local jobs in highly skilled professional care, educational and service areas. This is also reflected in Ku-ring-gai's contribution to GRP per capita.

**Table 6: Business and jobs comparison in Ku-ring-gai and Hornsby Councils**

| Factor (2013)             | Ku-ring-gai  | Hornsby   | Combined        |
|---------------------------|--|---|-----------------|
| <b>Businesses</b>         | 13,173   | 15,305  | 28,478          |
| <b>Local jobs</b>         | 34,369   | 53,223  | 87,592          |
| <b>Largest industries</b> | Health Care and Social Assistance (20.5%)<br>Education and training (16.6%)<br>Professional, scientific and technical services (13.5%) | Health Care and Social Assistance (16.1%)<br>Retail Trade (14%)<br>Education and training (13.4%) |                 |
| <b>GRP</b>                | \$5.14 billion   | \$6.38 billion  | \$11.52 billion |

There are differences in the industries of employment of both Ku-ring-gai and Hornsby.

Ku-ring-gai has:

- A significantly larger Professional, Scientific and Technical workforce, also well above the average for Greater Sydney, indicating a highly qualified workforce, extensive and diverse local professional services (eg. solicitors, financial services, consultants) and many home based consultancy businesses.
- A larger Health Care and Social Assistance workforce, also well above the average for Greater Sydney, with the location of two private hospitals (the recently expanded regional Sydney Adventist Hospital and Lady Davidson Private Hospital), diverse specialist medical consulting practices and a number of large aged care accommodation facilities.
- A significantly higher proportion of home-based work and business, with 8% of Ku-ring-gai residents working from home in 2011 and higher than the Sydney average.

Hornsby has a much larger retail trade reflecting its regional shopping centre containing a variety of local and higher order retail services.

- **Work destinations**

The connection between place of residence and place of work is an important one in defining a community. While in our major cities, many people work at the major employment hubs, particularly CBD areas, there are actually a greater number working in the suburbs, when totalled. In most areas, the largest single work destination is the local area. LGAs with large numbers of people working in neighbouring areas (which are not CBD areas) can indicate a community connection to the area.

- **Residential origins of workers**

Ku-ring-gai and Hornsby both have more employed residents than workers. For Ku-ring-gai 2013/14 data shows 34,369 workers, with nearly half of all workers residing in Ku-ring-gai. This is a relatively high level of self-sufficiency for an affluent area.

Ku-ring-gai is also characterised by a broad spread of workers arriving from adjoining areas. While Hornsby is the next largest single LGA origin of workers, accounting for 15% there is 19% arriving from Warringah, Willoughby, Ryde, Pittwater, The Hills and Gosford. See Table 7.

Hornsby is even more self-sufficient for workers than Ku-ring-gai, with just on 50% of workers living within Hornsby. This reflects Hornsby's fringe location on the northern edge of Sydney. Only about 6% come from Ku-ring-gai, but there is a strong relationship with The Hills Shire, where about 11% of workers come from that area. About 6% also come from Gosford and 5% from Blacktown.

Looking at the origin of workers there are diverse connections with adjoining LGAs. The connection between Ku-ring-gai and Hornsby is no more significant than Hornsby's connection with The Hills Shire.

**Table 7: Source of Ku-ring-gai workers**

| Source of Ku-ring-gai workers    | Number        | % of workers  |
|----------------------------------|---------------|---------------|
| <b>Study region</b>              |               |               |
| Ku-ring-gai (A)                  | 12,315        | 44.8%         |
| Hornsby (A)                      | 4,227         | 15.4%         |
| Willoughby (C)                   | 757           | 2.8%          |
| Ryde (C)                         | 873           | 3.2%          |
| Warringah (A)                    | 1,108         | 4.0%          |
| Pittwater (A)                    | 595           | 2.2%          |
| <b>Other significant sources</b> |               |               |
| The Hills Shire (A)              | 972           | 3.5%          |
| Gosford (C)                      | 894           | 3.2%          |
| All other areas combined         | 5,771         | 21.0%         |
| <b>Total</b>                     | <b>27,512</b> | <b>100.0%</b> |

Source: 2011 Census of Population and Housing, unpublished journey to work data, id (informed decisions)  
Community analysis – Demographic Characteristics of Potential Merger LGA's.

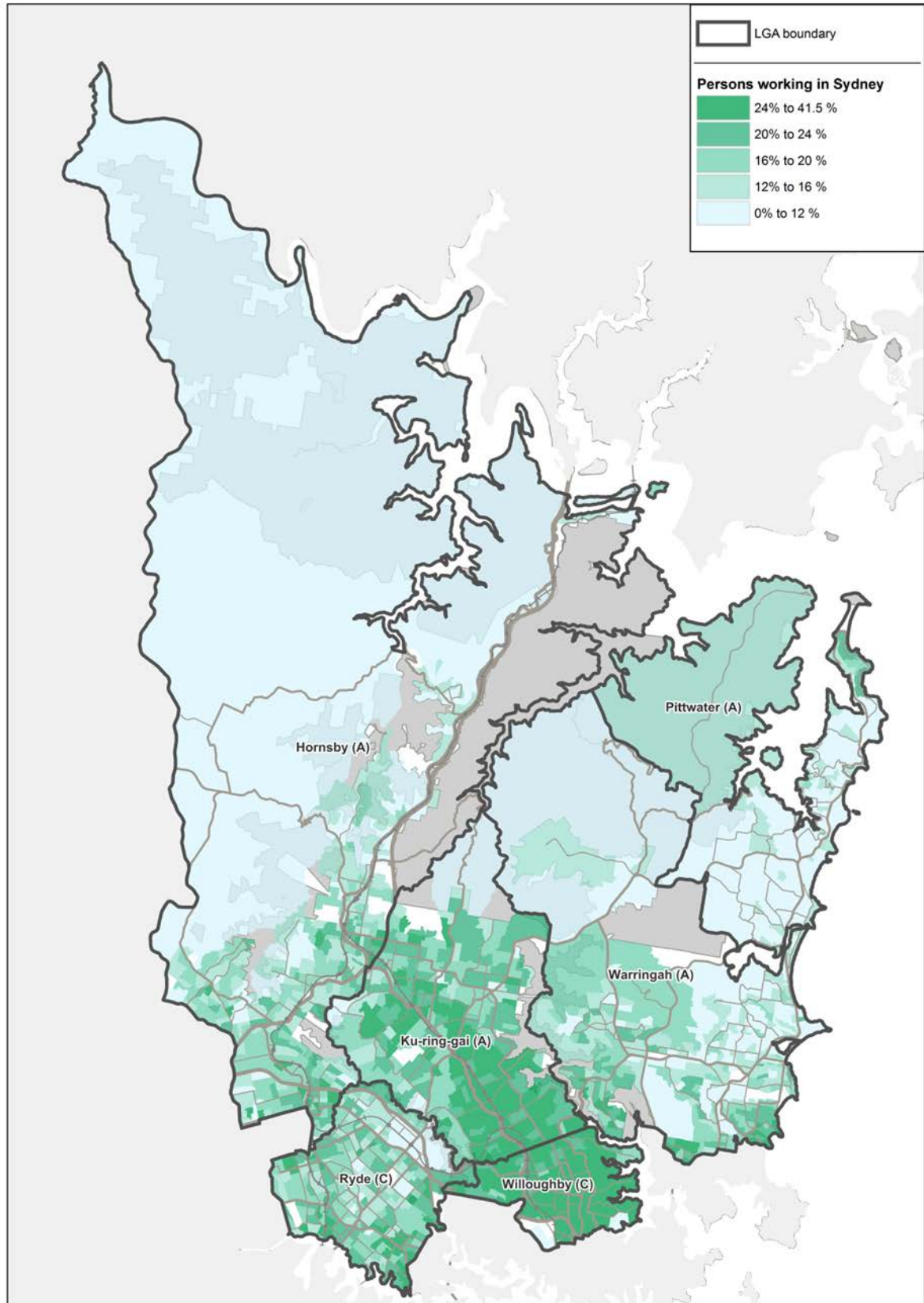
### Work destinations of residents

The Sydney CBD remains a major employer of residents across the metropolitan area. Compared to Hornsby, Ku-ring-gai has a very strong connection to the City of Sydney, due to proximity and good public transport links while Hornsby residents are quite likely to work in The Hills and Parramatta<sup>58</sup>.

Workers in the CBD play an important role in indicating whether an area functions as a discrete economy or a dormitory area for commuters. Map 5 shows from where people commute to the City of Sydney. Commuting to the city is strongest along the railway line due to easy access, and relatively close proximity for Ku-ring-gai and Willoughby.

Overall, there is a workforce connection from Hornsby to The Hills and Ku-ring-gai. However Ku-ring-gai residents work either locally, in Willoughby, City of Sydney or Ryde.

<sup>58</sup> Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 58.



**Map 5: Percentage of employed residents working in the City of Sydney, 6 LGAs, 2011**

Source: Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 61.

## Community objectives and outcomes

Each council's current Community Strategic Plan, four year Delivery Program, 2013/14 Operational Plan and other key policies were analysed to identify similarities and differences between policy and outcomes delivered for the community.

While there are similarities in both councils' broad objectives of protecting and enhancing the natural environment there are significant differences in managing urban development and growth and protecting both the natural and built environment.

Ku-ring-gai has a much greater emphasis on protecting built heritage and identified heritage conservation areas, preserving the area's unique identity and character, achieving quality design in urban development and managing urban change to achieve quality design outcomes and maintain the unique visual character of Ku-ring-gai.

Hornsby places greater emphasis on achieving economic growth and development, improving accessibility and lifestyle opportunities for residents.<sup>59</sup>

### 6.1.3 Local identity and communities of interest

Research on the characteristics of Ku-ring-gai and Hornsby Shire Councils has highlighted the following significant differences in:

- the physical size and shape and pattern of development in each area;
- where residents are employed, shop and access schools, recreation and transport services; and
- resident aspirations and expectations.

These differences influence residents' sense of local identity and 'communities of interest' in each LGA and support the view that there is no demonstrated strong link in local identity or communities of interest between the two LGAs.

The residents of Ku-ring-gai local government area have a very strong sense of local identity and very strong communities of interest. By the nature of the local government area, Hornsby residents arguably have a diverse number of local identities and communities of interest. This is demonstrated by the following:

- **Active engagement on issues that affect their local government areas**

Ku-ring-gai residents have a long history of engagement, individually and through community groups, in contributing to and advocating for a broad range of issues that affect the local government area. Examples include:

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<sup>59</sup> This assessment was based on the Community Strategic Plans both publicly available on Ku-ring-gai and Hornsby's websites.

- Advocating for the protection and conservation of Ku-ring-gai's built European heritage, which led to the establishment of the National Trust, based in Ku-ring-gai.
- The very high resident participation rate on community strategic planning, land use and heritage planning, environmental projects, transportation planning and more recently Council's Activate local centres planning.<sup>60</sup>

While Hornsby residents are engaged on issues of importance to the area the dispersed pattern of settlement in the area means that many residents have interests more relevant to adjoining council areas. For example the rural areas are closely related to issues affecting The Hills while residents of Pennant Hills and Carlingford are as likely to be engaged in issues affecting Ryde and Parramatta.

- **High level of engagement and support for council programs**

Ku-ring-gai residents have a high level of engagement in and support for Council's environmental, community, recreation, library and cultural programs. In many instances these programs are delivered in partnership with volunteer residents. Examples include:

- Welcome Basket for new residents, sponsored by Council and provided by a local Turramurra resident.<sup>61</sup>
- Nationally and internationally recognised "Wildthings" and "Pool to Pond" environmental programs, and local community gardens.<sup>62</sup>
- Highly successful annual community events program with 65,000 people attending in 2013/14.<sup>63</sup>
- Popular library activities and services for local residents with 456,287 council visits in 2013/14.<sup>64</sup>
- Well attended programs for children, youth and older residents.<sup>65</sup>

In comparison residents living in Hornsby are as likely to access programs and services provided by adjoining council areas.

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<sup>60</sup> See a summary of Community Engagement up to 2013 in Council's Discussion Paper – Community Strategic Plan 2030, pp 44-59 at:

[www.kmc.nsw.gov.au/communitystrategicplan](http://www.kmc.nsw.gov.au/communitystrategicplan) [accessed 29 June 2015]

and more recent community engagement reported in Council's Annual Report 2013-2014, p 111 and 151 at:

[www.kmc.nsw.gov.au/annualreport](http://www.kmc.nsw.gov.au/annualreport) [accessed 29 June 2015]

<sup>61</sup> See Ku-ring-gai Council Annual Report 2013-2014, p 55 at:

[www.kmc.nsw.gov.au/annualreport](http://www.kmc.nsw.gov.au/annualreport) [accessed 29 June 2015]

<sup>62</sup> See Ku-ring-gai Council Annual Report 2013-2014, p 80 at:

[www.kmc.nsw.gov.au/annualreport](http://www.kmc.nsw.gov.au/annualreport) [accessed 29 June 2015]

<sup>63</sup> See Ku-ring-gai Council Annual Report 2013-2014, p60 at:

[www.kmc.nsw.gov.au/annualreport](http://www.kmc.nsw.gov.au/annualreport) [accessed 29 June 2015]

<sup>64</sup> See Ku-ring-gai Council Annual Report 2013-2014, p 44 at:

[www.kmc.nsw.gov.au/annualreport](http://www.kmc.nsw.gov.au/annualreport) [accessed 29 June 2015]

<sup>65</sup> See Ku-ring-gai Council Annual Report 2013-2014, pp 46-53 at:

[www.kmc.nsw.gov.au/annualreport](http://www.kmc.nsw.gov.au/annualreport) [accessed 29 June 2015]

- **High level of volunteering on matters of importance**

Ku-ring-gai residents have an established reputation as a community willing to volunteer their time to help others and make a contribution to local community objectives. Ku-ring-gai residents have one of the highest rates of volunteering with over 26% of residents reporting performing volunteering work at the 2011 Census compared with 15.1% for Greater Sydney.<sup>66</sup>

Research undertaken by the Centre for Volunteering NSW indicates this rate to be even higher given the area's socio-economic demographic characteristics.<sup>67</sup> Council actively promotes and supports volunteering through many of its community and environmental programs and recognition events.

In 2013/14 there were an estimated 350 volunteers involved in community service based projects and 812 active bushcare volunteers working at 160 sites. A further 3,400 residents are engaged in Council's environmental initiatives and communications.

Hornsby also has a significant volunteer bushcare program, reflecting the extent of National Parks and 20 volunteer bushfire brigades. Compared to greater Sydney resident volunteering is also high at 22% but lower than Ku-ring-gai.

- **Where residents are employed**

The connection between place of residence and place of work is an important one in defining a community. As highlighted in previous sections, Ku-ring-gai has more employed residents than workers and a relatively high level of self-sufficiency for an affluent area. Ku-ring-gai also has a very strong connection to the City of Sydney for employment, influenced by proximity to the CBD and good train and bus links.

Similarly to Ku-ring-gai Hornsby has more employed residents than workers. Of other workers, Hornsby residents are likely to work in Ku-ring-gai, The Hills and Parramatta.

- **Where residents shop and access services, schools and transport**

Ku-ring-gai residents are most likely to do their weekly shopping, access commercial services and medical services, send their children to school and take public transport within the Ku-ring-gai local government area for the following reasons:

- Ku-ring-gai has 7 significant local business centres which are readily accessible and provide a diverse range of local retail and services
- Ku-ring-gai has a diverse range of local and regional medical services available to residents. This includes specialist medical services and a major regional hospital.

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<sup>66</sup> Australian Bureau of Statistics Census 2011.

<sup>67</sup> The Centre for Volunteering is the peak body in NSW promoting and supporting volunteering and community participation. Areas identified as having higher levels of volunteering characteristically have higher levels of employment, higher levels of residents employed as professionals and managers and more residents in the "parents with children" and "older age" brackets.

- Ku-ring-gai has a significant education sector including both public and private primary and high schools. For tertiary education services, Macquarie University is in close proximity as well as Sydney University and UTS.
- Ku-ring-gai residents have good access to both rail and bus services within the LGA and to the Sydney CBD.

Hornsby is characterised by a regional centre in the eastern half of the LGA and significant local centres at locations very close to adjoining council areas (Epping, Beecroft and Carlingford).

Residents who live in the eastern half of Hornsby are likely to use Hornsby regional centre for shopping and to access services. Residents living in the western half and southern parts of the council area are more likely to access shops and services in The Hills while residents living near to the boundaries of Parramatta and Ryde LGA's are more likely to access services in those areas.

### Summary

Discussion in the preceding sections has highlighted differences between Ku-ring-gai and Hornsby Shire Councils. In particular:

- There are limited physical and urban links between the two LGAs particularly as Hornsby's urban interface with Ku-ring-gai is relatively small, and much of Hornsby's urban areas have very strong locational connections to other LGAs – The Hills, Parramatta and Ryde.
- Both LGA's are very self-contained from an employment perspective and there are no clear economic links between the two LGAs.
- Ku-ring-gai's workforce destinations are mainly to the Sydney CBD, North Sydney, Willoughby and Ryde while Hornsby residents go to Ku-ring-gai as well as The Hills and Parramatta.
- Ku-ring-gai residents access retail shops and services within the local area for weekly services. For higher order services they mainly access Chatswood centre, Macquarie Centre at Ryde and other parts of the Sydney region. Destinations for Hornsby residents vary according to their location.

These factors contribute to an area's sense of local identity and indicate no strong connections between the two LGAs.



## 6.2 Analysis of Fit for the Future benchmarks

This section includes:

- An assessment of Ku-ring-gai's performance against FFTF benchmarks.
- Estimated performance of Ku-ring-gai with an amalgamation.
- Assessment of Council's asset backlog review.

This section provides analyses of Council's current performance against Fit for the Future benchmarks. The analyses are based on audited Financial Statements for 2013/14. An assessment of whether Ku-ring-gai and Hornsby Councils meet the benchmarks for historical results of 2013/14 is discussed further.

**Table 8: Summary of Ku-ring-gai and Hornsby Councils performance against the benchmarks**

| Financial Ratios                             | FFTF Benchmark | Ku-ring-gai | Hornsby |
|--|----------------|-------------|---------|
| <b>Sustainability</b>                        |                |             |         |
| Operating Performance Ratio                  | >0%            | 1.56%       | 5.15%   |
| Own Source Revenue                           | >60%           | 84.7%       | 83.7%   |
| Building & Infrastructure Renewals Ratio     | >100%          | 104%        | 79%     |
| <b>Infrastructure and Service Management</b> |                |             |         |
| Infrastructure Backlog Ratio                 | <2%            | 32%         | 1%      |
| Asset Maintenance Ratio                      | >1x            | 0.95        | 0.79    |
| Debt Service Ratio                           | <20%           | 4.40%       | 4.19%   |
| <b>Efficiency</b>                            |                |             |         |
| Real Operating Expenditure                   | Decrease       | \$847       | \$742   |
|  |                |             |         |

### Ku-ring-gai Council

Ku-ring-gai Council achieved four financial ratios at the end of 2013/14. Three ratios did not meet benchmark at the end of 2013/14, however, these ratios achieve benchmark by 2016/17. Projected ratios are discussed further in this report.

- Operating performance ratio: Greater than or equal to break-even -average over 3 years

*2013/14 result = 1.56% therefore meets benchmark*

Council's operating ratio is above benchmark which means that Council can easily contain operating expenditure within its operating revenue. The ratio has been above benchmark for the last 5 years.

- Own Source Revenue: Greater than 60% - average over 3 years

*2013/14 result = 84.7% therefore meets benchmark*

Council's own source revenue ratio has remained above benchmark in the last five years. Council has sufficient level of fiscal flexibility in the event of being faced with unforeseen events. Council has not been overly reliant on grant revenue in the past years, with an average of only 5% of operating revenue generated from operating grants.

- Building and Infrastructure Renewal Ratio: Greater than 100% - average over 3 years

*2013/14 result = 104% therefore meets benchmark*

Council's Infrastructure and Renewal Ratio increased to 104%, which means that Council is spending sufficient funds to cover depreciation expense on its assets. Council continues its commitment to maintain financial sustainability and decrease the infrastructure backlog in future years.

- Infrastructure Backlog Ratio: Less than 2%

*2013/14 result = 32% therefore does not meet benchmark*

Council's infrastructure backlog represents the cost to bring assets from poor and failed condition up to acceptable standards. Council reported a sizeable infrastructure backlog in 2013/14. Council undertook an independent review of its infrastructure assets and financial data to ensure that it uses an approach to infrastructure reporting that is consistent with other Councils. All asset classes have been reviewed and based on revised condition assessment on Council's infrastructure assets a new revised methodology has been assessed at \$32.7 million with a backlog ratio of 6.4% for 2014/15. This methodology is consistent with Hornsby Council's methodology since the same independent consultant, Morrison Low, was engaged to perform the assessment. The review indicated that the condition rating criteria used by Council previously was too conservative with regard to assets that were in a poor and failed condition. The review process<sup>68</sup> resulted in adjustments to useful lives and condition ratings in line with industry standards which significantly reduced Council's reported backlog. The entire results of the review are attached **Appendix B**.

- Asset Maintenance Ratio: Greater than 100% -average over 3 years

*2013/14 result = 0.95 therefore does not meet benchmark*

Council's Asset Maintenance Ratio of 0.95x was marginally lower than the benchmark ratio of "greater than 1x", which indicates that the level of expenditure on maintenance of infrastructure assets in 2013/14 was slightly less than the amount required to ensure that infrastructure assets reach the end of their useful lives. Council is committed to increase expenditure on asset maintenance and has allocated additional funding towards maintenance in future years. The Asset Maintenance Ratio is on an upward trend in the next 10 years with an average increase in maintenance of 3% per year.

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<sup>68</sup> Morrison Low, *Review of Council's Infrastructure Backlog and Asset Data, Morrison Low – Final Report, May 2015.*

- Debt Service Ratio: Greater than 0% and less than or equal to 20% - average over 3 years

*2013/14 result = 4.4% therefore meets benchmark*

Council's ability to service its debt is strong and remains that way over the forecast period of the Long Term Financial Plan (LTFP).

- Real Operating Expenditure (per capita): A decrease in Real Operating Expenditure per capita over time

*2013/14 result = Increasing therefore does not meet benchmark*

### **Hornsby Council**

Hornsby Council achieved four financial ratios at the end of 2013/14. Three ratios did not meet benchmark at the end of 2013/14, and based on Hornsby Council's current LTFP (2014/2015–2023/2024), these ratios remain under benchmark for all projected years of the LTFP. It is, however, noted that the financial ratios in the improvement proposal submitted by Hornsby are met (except for the Asset Maintenance Ratio for the first two years and the Real Operating Expenditure per capita) whilst the adopted LTFP (2014/2015–2023/2024) reports three ratios under benchmark for the life of the plan. Future performance is discussed further in this report.

- Operating performance ratio: Greater than or equal to break-even -average over 3 years

*2013/14 result = 5.15% therefore meets benchmark*

The Operating Performance Ratio is above benchmark and was an improvement over the previous two years.

- Own Source Revenue: Greater than 60% - average over 3 years

*2013/14 result = 83.7% therefore meets benchmark*

Own Source Revenue is above the benchmark and has not changed significantly from the prior two years.

- Building and Infrastructure renewal Ratio: Greater than 100% - average over 3 years

*2013/14 result = 79% therefore does not meet benchmark*

This ratio is under benchmark and shows that Council is not spending enough on assets renewal to keep up with their depreciation. This ratio improves slightly by 2019/20.

- Infrastructure Backlog Ratio: Less than 2%

*2013/14 result = 1% therefore meets benchmark*

The backlog remains constant and does not change in future years.

- Asset Maintenance Ratio: Greater than 100% - average over 3 years

*2013/14 result = 0.79 therefore does not meet benchmark*

This ratio indicates that Council is not spending enough on actual maintenance compared to required maintenance; however, the projected Asset Maintenance Ratio improves by 2019/20 bringing it in line with the benchmark.

- Debt Service Ratio: Greater than 0% and less than or equal to 20% - average over 3 years

*2013/14 result = 4.19% therefore meets benchmark*

- Real Operating Expenditure (per capita): A decrease in Real Operating Expenditure per capita over time

*2013/14 result = Increasing therefore does not meet benchmark*

### **6.3 Overall financial health**

#### **Comparison of Ku-ring-gai and Hornsby Councils**

##### **Ku-ring-gai Council**

Ku-ring-gai Council is in a sound financial position and will remain sustainable over the long term. The overall sustainability rating of Ku-ring-gai Council has been assessed by T-Corp as Sound with a Neutral outlook.<sup>69</sup> This places Ku-ring-gai in the top 16 Councils in NSW to achieve the same or better rating.

Council continues to achieve operating surpluses after allowing for the depreciation expense on Council's portfolio of depreciable assets. If capital grants and contributions are excluded, the Operating result remains in surplus throughout the future years of the Long Term Financial Plan (LTFP). Council has a strong level of own source revenue, maintains healthy levels of working capital and cash reserves, and has a strategy in place to fund renewal of infrastructure assets and debt funding for major projects via identified sources of repayment. Over the next 2–10 years there will be continued improvements to Council's current strong operating result, revenue base and discretionary spending.

Council has identified increased funding for infrastructure renewal as a key priority. A new funding strategy that best addresses the infrastructure renewal requirements has been adopted and is identified in Council's LTFP. As per this strategy, Council will be able to close the gap between the required level of infrastructure renewal funding and the actual funding available. The infrastructure backlog will be reduced to target by 2016/17.

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<sup>69</sup> T-Corp - *Financial Sustainability of the New South Wales Local Government Sector – Findings, Recommendations and Analysis*, March 2013, p 18.

## Hornsby Council

Hornsby Shire Council's financial position is weaker than that of Ku-ring-gai. T-Corp assessed Ku-ring-gai as being "Sound" with a "Neutral" outlook, while Hornsby was given the lower rating of "Moderate" with a "Neutral" outlook.

Hornsby Shire has lower working capital and reserves than Ku-ring-gai, as reflected in its much lower liquidity indicator (unrestricted current ratio). Hornsby does report a lower infrastructure backlog than Ku-ring-gai, however its ongoing asset maintenance and renewal indicators are inferior. Hornsby Shire's assets would continue to deteriorate unless more is spent on renewal and maintenance.

### Summary

Hornsby Shire does not need to amalgamate with Ku-ring-gai to be fit for the future. It is a large council with an independent assessment from T-Corp as being Moderate. Hornsby Shire has advised that they are revising their Long Term Financial Plan to meet the Fit for the Future criteria.

## 7. Analysis of costs and benefits of an amalgamation

The following sections provide an analysis of the financial costs and benefits of an amalgamation with Hornsby Shire Council.

### 7.1 Costs and benefits - financial

The following section provides an analysis of both Councils' projected financial performance for 2016/17 to 2019/20. Ku-ring-gai Council's data is obtained from the recently adopted Long Term Financial Plan 2015/2016-2024/2025. Hornsby Council has not adopted a revised Long Term Financial Plan, since adopting the 2014/2015-2023/2024 LTFP version, therefore an accurate and consistent analysis on future performance could not be performed. Hornsby Shire Council's projected financial ratios were obtained from the report to Hornsby Council tabled at the Ordinary Meeting of 10 June 2015 "CS13/15 Local Government Reform - Fit for the Future (FFTF) Process Since 2011 and Council's Submission to IPART".

**Table 9: Ku-ring and Hornsby Councils future performance for each FFTF indicator against benchmarks**

| Council                                       | Ku-ring-gai     | Hornsby                    |
|---|-----------------|----------------------------|
| Operating Performance Ratio                   | Meets Benchmark | Meets Benchmark            |
| Own Source Operating Revenue Ratio            | Meets Benchmark | Meets Benchmark            |
| Building & Infrastructure Asset Renewal Ratio | Meets Benchmark | Meets Benchmark            |
| Infrastructure Backlog Ratio                  | Meets Benchmark | Meets Benchmark            |
| Asset Maintenance Ratio                       | Meets Benchmark | Meets Benchmark by 2018/19 |
| Debt Service Ratio                            | Meets Benchmark | Meets Benchmark            |
| Real Operating Expenditure Per Capita         | Meets Benchmark | Does not meet benchmark    |

#### 7.1.1 Financial Indicators

Observations on future performance of key financial indicators for both Councils is presented below.

**Operating Performance Ratio.** Both Councils achieve an operating surplus in future years and outperform the operating Performance ratio benchmark. Hornsby's operating performance ratio is marginally higher than Ku-ring-gai's. Both Councils demonstrate continued capacity in the future to meet on-going expenditure requirements.

### Own Source Operating Revenue

Both Councils project a high level of financial flexibility demonstrated by high own source revenue in future years with an average ratio of 85% for Hornsby and 75% for Ku-ring-gai. Both Councils have ability to control or manage their own operating performance and financial sustainability in future and manage external challenges.

### Building & Infrastructure Renewal Ratio

Hornsby's asset renewal ratio meets benchmark and remains static at an average of around 108% for all projected years. Ku-ring-gai's ratio at an average of around 134% is higher than that of Hornsby's in all future years. This means that Ku-ring-gai is planning to spend significantly more than Hornsby on its asset renewal compared to their deterioration. This will in turn keep Ku-ring-gai's future assets backlog below benchmark and eventually eliminate it.

**Infrastructure Backlog Ratio.** Hornsby's backlog ratio remains static at 1% for the duration of the modelled years. Ku-ring-gai's backlog ratio at 2% is met by 2016/17 and gradually eliminated in future years. Ku-ring-gai is committed to invest additional funding in assets renewal through its asset funding strategy and eliminate its backlog by 2019/20.

**Assets Maintenance Ratio.** Ku-ring-gai's is projecting sufficient asset expenditure to maintain its infrastructure assets in satisfactory condition in the long term. The ratio will remain constant at around 104% for the duration of the long term plan. Hornsby, in comparison, does not meet this ratio in the first years of the forecast period; the ratio is met by 2018/19.

**Debt Service Ratio.** Both Councils debt service ratio remains below benchmark during the forecast period. Ku-ring-gai's ratio is higher due to increased level of interest and principal repayment in future years. Ku-ring-gai's outstanding debt has identified sources of repayment in future years and is discharged by 2023/24. Hornsby's ratio is lower due to lower level of debt.

**Real Operating Expenditure per Capita Ratio.** Ku-ring-gai is projecting a decline in real expenditure per capita reflecting containment of costs with an increasing population. Hornsby Council's real expenditure is increasing in future years from \$767 in 2016/17 to \$812 in 2019/20.

The following charts show a comparison of Ku-ring-gai Council financial ratios to Hornsby's for the period between 2016/17 to 2019/20.

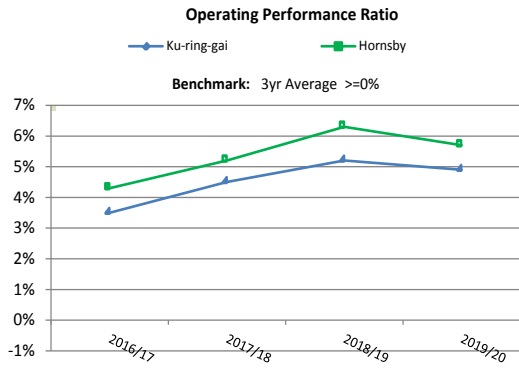


Chart 1: Operating Performance Ratio

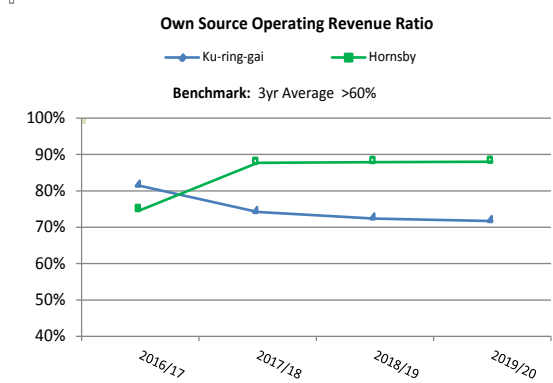


Chart 2: Own Source Operating Revenue Ratio

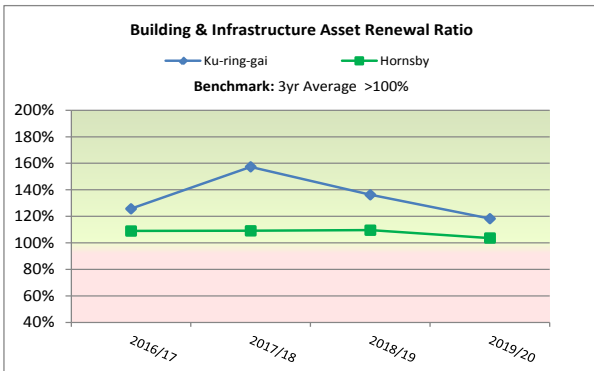


Chart 3: Building & Infrastructure Asset Revenue Ratio

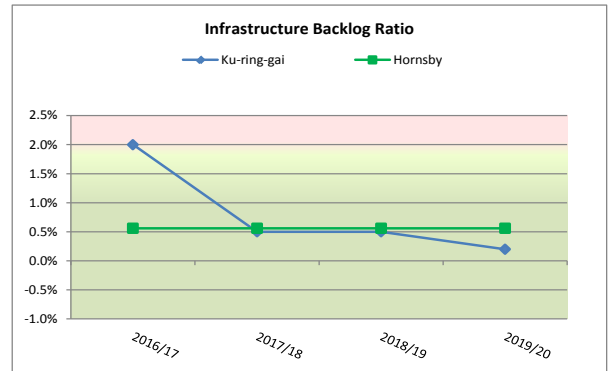


Chart 4: Infrastructure Backlog Ratio

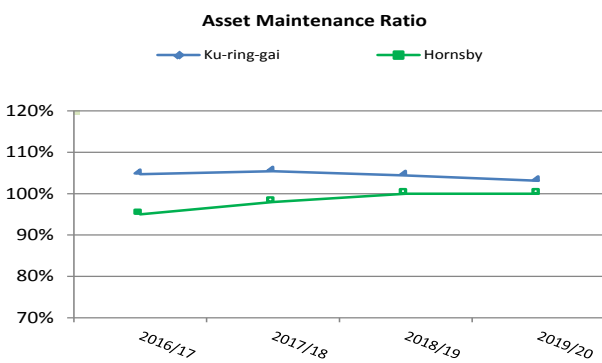


Chart 5: Asset Maintenance Ratio

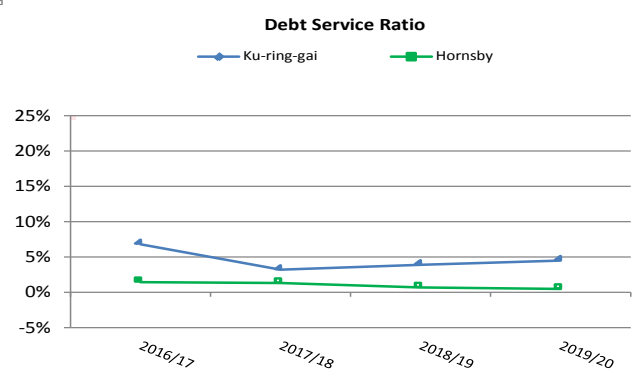
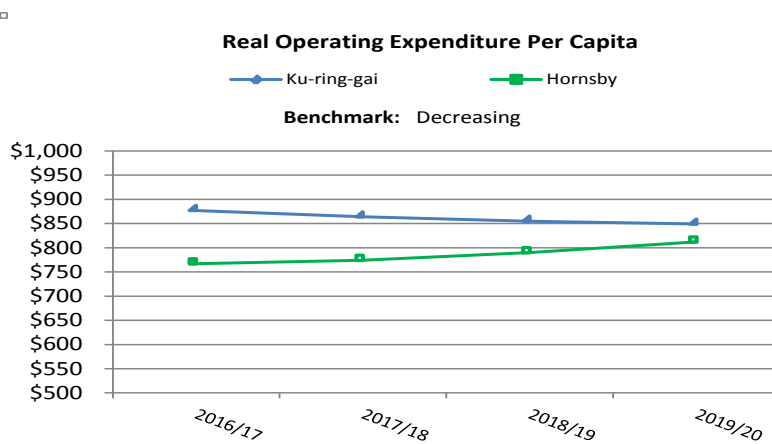


Chart 6: Debt Service Ratio





**Chart 7: Real Operating Expenditure Per Capita**

## 7.1.2 Impact on rates

### Distributional Impacts on Rates Revenue

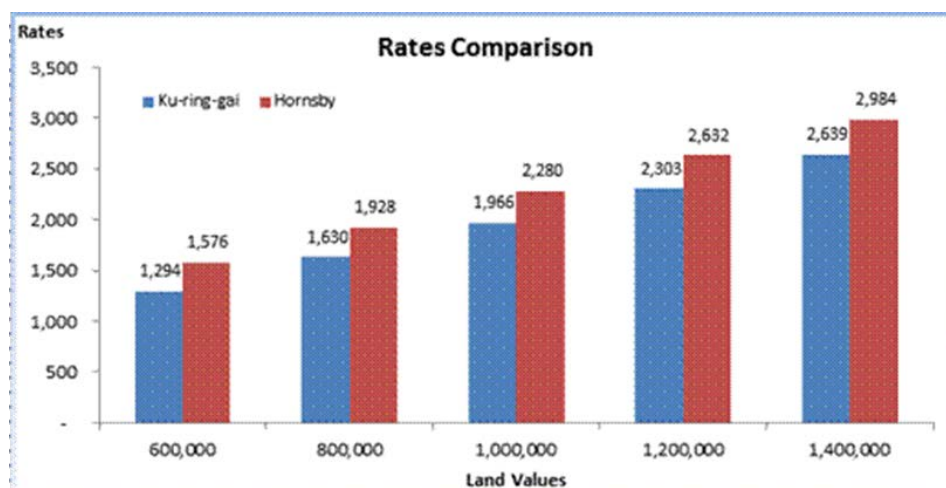
Council rates are based on land values and an amalgamation of two council areas would result in changes to the amount of rates paid by individual properties. As the Local Government Act only allows for one ordinary residential rate across the whole of an urban council area, the status quo could not remain and a new residential rate covering the amalgamated council area would need to be implemented.

The residential land values in Ku-ring-gai are on average 50% higher than in Hornsby Shire. The total residential land value in Ku-ring-gai is \$23.3 billion (for approx. 40,411 properties) while in Hornsby it is \$20.7 Billion (for approx. 54,458 properties). As a result of the lower land values, rates are higher in Hornsby Shire when expressed as a percentage of land value (rate in \$).

**Table 10: Summary of key residential rates data for the 2014/15 financial year**

| Residential Rates Data            |             |          |          |
|-----------------------------------|-------------|----------|----------|
|                                   | Ku-ring-gai | Hornsby  | Combined |
| Land Value (LV)                   | \$23.3bn    | \$20.7bn | \$44.0bn |
| Land Value per property (average) | \$576k      | \$380k   | \$464k   |
| Total Rates Income                | \$54M       | \$64M    | \$118M   |
| Rate in \$ (Rates/LV)             | 0.0023      | 0.0031   | 0.0026   |
| Total Properties                  | 40,411      | 54,458   | 94,869   |

The chart below shows the residential rates that are currently paid in 2014/15 for each council area for a range of different land values. For example, a property with a land value of \$800,000 pays \$1,630 pa in residential rates in Ku-ring-gai compared to \$1,938 pa in Hornsby Shire.

**Chart 8: Ku-ring-gai and Hornsby Council Rates Comparison**

If the two Council areas amalgamated, and assuming the overall aggregate rates revenue was unchanged, the residential rates paid in the former Ku-ring-gai area would increase and the rates paid in the former Hornsby area would decrease.

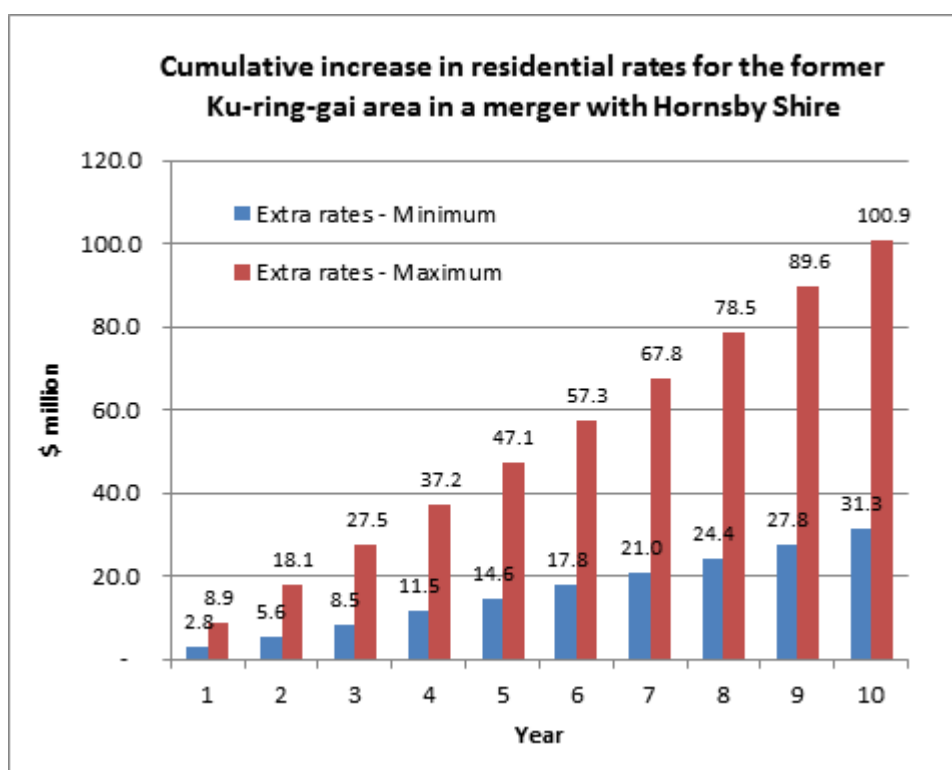
While it is not possible to model the exact impact of an amalgamation on rates until the actual rating structure is determined by an amalgamated council, it is quite straight forward to determine the range within which the rates structure for an amalgamated council would fall. The rates structure that would result in the greatest variation would be entirely ad valorem. The rates structure that would result in the least variation allowable under the local government act would be a 50% base rate (which is a fixed amount paid by all properties to raise 50% of the total rates revenue plus an ad valorem amount for the remaining 50%).

**Table 11: Impact on residential rates of an amalgamation with Hornsby Council**

| Impact of an amalgamation with Hornsby on Residential Rates |                           |                       |
|---|---------------------------|-----------------------|
| Scenarios   | Ku-ring-gai<br>(Increase) | Hornsby<br>(Decrease) |
| Combined Structure - Ad Valorem                             | 17% increase              | -14% decrease         |
|   | \$8.9M pa total           | - \$8.9m pa total     |
|   | \$220 pa ave              | -\$164 pa ave         |
| Combined Structure -50% base amount                         | 5% increase               | -4% decrease          |
|   | \$2.7M pa total           | -\$2.7 M pa total     |
|   | \$67 pa ave               | -\$51 pa ave          |

As shown in the table above, and assuming the total rates raised for an amalgamated Council remained the same as the sum of the rates raised by the individual councils, the rates for properties in the former area of Ku-ring-gai would increase by between 5% and 17% in an amalgamation with Hornsby Shire. This equates to additional total rates for Ku-ring-gai of between \$2.7 million and \$8.9 million pa, or \$67 and \$220 pa on average. A detailed analysis of the impact on residential rates is provided in **Appendix I**.

The chart below shows the cumulative impact of an amalgamation on residential rates over 10 years. The subsidy from the former Ku-ring-gai ratepayers to the former Hornsby ratepayers would be between \$31 million and \$100 million over ten years, depending on the rates structure adopted by the new council.



**Chart 9: Cumulative increase in residential rates for the former Ku-ring-gai area in an amalgamation with Hornsby Shire Council**

### Business and Farmland Rates

Both Ku-ring-gai and Hornsby are predominantly residential areas with terms of rating, with business rates forming a relatively minor portion of the total rating base for both councils. Business rates make up 8% of the total rates for Ku-ring-gai and 12% for Hornsby. As such, the impact of an amalgamation on business rates is not as significant as for residential rates. Further, the Local Government Act allows for multiple business rates within different parts of a council area and therefore after an amalgamation the distributional issues described above for residential rates would not apply.

Currently Ku-ring-gai Council has one business rate that applies across the whole council area. Hornsby Shire Council has two different business rates, one that applies to the Hornsby CBD and one that applies elsewhere in the council area. The Ku-ring-gai rate in the dollar for business falls between the two Hornsby rates.

Hornsby Shire Council raises a small proportion of its rates from farmland (approximately 1%). Ku-ring-gai Council does not have any farmland and it is not expected that this would cause any rating issues with regard to redistribution of the rating burden.

According to “A Snapshot of the Hornsby Shire in 2012”, 10% of the Shire is zoned and used for urban development, 15% for rural purposes, 5% for open space, and the remainder is Environmental Protection or National Park (approximately 70%). The rateable areas, that is the land used for urban and rural purposes, amount to approximately 25% of the total area. As such, while rural areas make up approximately 60% of the rateable land in the Hornsby Shire, farmland only raises 1% of the rates revenue. It is quite possible that there is currently cross subsidisation from the residential and business areas to the rural areas. Any cross subsidy of the rural areas would be shared with Ku-ring-gai ratepayers after an amalgamation.

### **Other Rating Issues**

Land is revalued by the Valuer General every three years. While land revaluations do not change the total rates revenue councils are permitted to raise, it does change the distribution of the rates burden. It is not uncommon for there to be significant variation in rates for properties due to revaluations, for example when the land values of one suburb increase more than another. The greater the disparity in land values, the greater the potential for rates volatility. If Ku-ring-gai amalgamated with Hornsby Shire, there would be greater volatility in rates in future years when land revaluations occur.

As mentioned previously, Hornsby Shire residents pay a greater percentage of property wealth in rates and therefore have less capacity to increase in the future if required. Any future additional rates income would be drawn disproportionately from the former Ku-ring-gai area.

The rating issues identified throughout this section are not feasibly able to be solved. Neither the Local Government Review Panel nor the State Government have proposed any changes to the Local Government Act that could reduce the impacts. Even if a transition period was incorporated into an amalgamation, whereby the former council areas were able to maintain separate rating structures for a period of time, for reasons of equity eventually there would need to be common rates for ratepayers within a single local government area.

**Summary**

Due to the higher land values in Ku-ring-gai, an amalgamation would result in significantly increased rates in the former Ku-ring-gai area and a reduction in the former Hornsby Shire area.

Hornsby Shire residents pay a greater percentage of property wealth in rates and therefore have less capacity to increase in the future if required. Any future additional rates income would be drawn disproportionately from the former Ku-ring-gai area due to higher land values.

There would be greater volatility in rates (eg between different suburbs) in future years when land revaluations occur.

Rural areas cover 60% of the rateable area of Hornsby Shire while only 1% of the total rates revenue is derived from farmland. Any cross subsidy of the rural areas would be shared with Ku-ring-gai ratepayers after an amalgamation.

The rating issues identified throughout this section are not feasibly able to be solved. Neither the Local Government Review Panel nor the State Government have proposed any changes to the Local Government Act that could reduce the impacts.

**7.1.3 Impact of Hornsby Quarry****Hornsby Quarry**

Hornsby Shire Council acquired the Hornsby Quarry from CSR in 2002. The Hornsby Quarry is located adjacent to residential development to the north, Hornsby TAFE and public recreation facilities to the east, bushland in public ownership and residential development to the south, and Berowra Valley Regional Park to the west. It is located within 500 metres of the Hornsby town centre.

The Hornsby Quarry is a large site with an area of approximately 23 hectares. There are various concerns about the quarry including its stability. The quarry is fenced off and warning signs are erected to prevent entry by the public.

In 2009, Hornsby Shire Council resolved to fill Hornsby Quarry with virgin excavated natural material. At its meeting on 19 June 2013, Hornsby Shire Council considered a report prepared by Cardno Pty Ltd, being the Hornsby Quarry Land Filling Preliminary Impact Assessment. Amongst other things, this report identified that the cost of filling the quarry with virgin excavated natural mineral (VENM) could be up to \$200 million. At this meeting Hornsby Shire Council resolved that:

1. *Council defer consideration of the proposal to fill Hornsby Quarry with off site Virgin Excavated Natural Material at this time.*
2. *Council investigate alternate options for the long term management and stabilisation of the Quarry including filling the Quarry with water.*

Hornsby Shire Council has advised Ku-ring-gai Council that the \$200 million estimate was an upper limit based on a number of assumptions, it was apparent that many of those assumptions were unlikely to occur and that this has proved to be the case following subsequent investigations.

In 2014 a Recreation Potential Study was undertaken by Clouston Associates and endorsed by Hornsby Shire Council on 8 October 2014. This study identified a range of options for the Quarry including part filling it with spoil from the NorthConnex project. No costings were provided in this report.

The latest report on the Hornsby Quarry was presented to a Hornsby Shire Council Meeting on 11 March 2015. It provided an update on the proposal to place one million cubic metres of fill from the NorthConnex tunnel project into the Quarry and resolved to write to the RMS expressing its desire to contribute a maximum of \$7.33 million towards the \$22 million project. It is understood that Hornsby has funding set aside from a successful court case regarding the original acquisition that could largely fund this \$7.33 million. The report notes that Hornsby Shire Council would also need to develop the site following partial filling from NorthConnex. These works would include stabilisation of the quarry and development of the Quarry and Old Mans Valley for recreational and cultural uses. There would also be a lake/water feature at the bottom of the Quarry. The Council report did not provide cost estimates for the stabilisation of the Quarry and future recreational facilities. With regard to budget, the report states:

*“There are significant budgetary implications associated with this Report. If Council accepts spoil from NorthConnex there will be additional major costs in quarry stabilisation, and the construction of recreational facilities that would be addressed in future reports. However, investigations have shown that accepting spoil from the NorthConnex project would result in cost savings compared to other methods of preparing the quarry for recreation.”*

Ku-ring-gai Council made enquiries with Hornsby Shire Council as to the likely additional costs for the quarry stabilisation and recreational facilities. Hornsby advised that the likely order of costs were \$15 to \$20 million for the quarry stabilisation and landform, and \$10 million for the recreational facilities. Hornsby has also advised that these amounts are fully funded and incorporated in their Long Term Financial Plan.

Hornsby Shire provided a copy of their estimates for the \$15 to \$20 million for the quarry stabilisation and landform, along with two reports from Pells Sullivan Meynink, Engineering Consultants, dated 6 February 2007<sup>70</sup> and 25 October 2013<sup>71</sup>. The estimates were for options identified in the Clouston Recreation Potential Study 2014 and were calculated by Hornsby Shire Council staff by extracting and escalating data from the two Pells Sullivan Meynink reports. There is some physical variation between the Clouston report options and the Pells Sullivan Meynink options. Hornsby Shire Council staff have advised that they have made some assumptions to apply the Pells Sullivan Meynink estimates to match the Clouston report options, and are confident it is feasible.

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<sup>70</sup> Additional information regarding the Hornsby Quarry can be found at: <http://www.hornsby.nsw.gov.au/council/major-projects/hornsby-quarry> [accessed 29 June 2015]

<sup>71</sup> Pells Sullivan Meynink, Concept Development for Hornsby Quarry Study, October 2013.

The Pells Sullivan Meynink report from 2013 is a high level concept study “to provide Council with sufficient information to consider if any of the options merit further assessment from an engineering and cost point of view”. As the Pells Sullivan Meynink report is at concept level and the estimates have been interpreted by Hornsby Shire Council staff to apply to a variation of the reported option, from Ku-ring-gai Council’s perspective there is some uncertainty as to the reliability of the current estimates. The potential liability associated with the Hornsby Quarry is significant in the context of any proposal to amalgamate.

### **Summary**

The latest scheme to remediate the Hornsby Quarry is to obtain fill from the NorthConnex project to part fill the Quarry (approximately one quarter) at an estimated cost of \$22 million of which Hornsby Council’s share is \$7.33 million. In addition, there are estimated costs of \$15 to \$20 million for quarry stabilisation and landform, and \$10 million for recreational facilities. Hornsby Council have advised that all amounts are fully funded.

As the estimated costs are at a concept level and detailed investigations have not yet commenced, there is uncertainty from Ku-ring-gai Council’s perspective as to the reliability of these current estimates. The potential liability associated with the Hornsby Quarry is significant in the context of any proposal to amalgamate.

## **7.2 Other financial costs and benefits**

### **7.2.1 Differences in service levels**

A major issue to contend with in an amalgamation is the difference in service levels between the council areas. If Ku-ring-gai amalgamated with Hornsby, over time there would need to be an equalisation of services whereby they were increased or decreased to be the same in the both areas. Either Ku-ring-gai services would need to decrease in order to spend more in Hornsby, or additional revenue would need to be raised to increase the service levels for Hornsby to that of Ku-ring-gai. In order for that to happen, the main source of council revenue, being rates, would need to increase for the whole area. Therefore the rates would need to increase further in the former Ku-ring-gai area without any benefit, rather to provide a higher level of service to the former Hornsby area.

As shown in the table below, the revenue per capita is lower in Hornsby Shire than in Ku-ring-gai. Ku-ring-gai also has a much greater capital expenditure program. Accordingly, Ku-ring-gai has the capacity to provide its residents with higher levels of service than are able to be provided in the Hornsby Shire.



**Table 12: Comparison of Revenue and Rates**

|   | Ku-ring-gai                 | Hornsby                                  | Combined     |
|---|-----------------------------|--|--------------|
| Revenue per capita (13/14) \$   | 982                         | 864                                      | 914          |
| Current Rates per capita (14/15 Residential)  | 471                         | 396                                      | 427          |
| Rates change (residential) required to achieve the current Ku-ring-gai revenue per capita across the whole amalgamated area | Between 18% to 35% increase | Between - 0.05% decrease to 10% increase | 16% increase |

To raise the same revenue per capita across the whole of the amalgamated council area as currently enjoyed by Ku-ring-gai, would require an increase in residential rates of 16% overall. The increase in the former Ku-ring-gai area would be between 18% and 35% (depending on the rates structure adopted by the amalgamated council). The rates change in Hornsby would be between a reduction of -0.05% to an increase of 10%. The increase in the former Ku-ring-gai area would be greater than the increase in the former Hornsby area as Ku-ring-gai has higher land values and would therefore increase between 5% and 17% with no change in total revenue as explained earlier in the report.

### Summary

Ku-ring-gai Council has higher revenue per capita than Hornsby Shire, with greater capacity to provide services. An amalgamation would require the equalisation of services, resulting in either a reduction of services for the former Ku-ring-gai area or increased rates to raise the Hornsby Shire service levels.

The rates would need to increase in the former Ku-ring-gai area by between 18% and 35% to raise the same revenue per capita across the whole of the amalgamated council area as currently enjoyed by Ku-ring-gai.

### 7.2.2 Cost savings and efficiency

An amalgamated council would result in a larger bureaucracy and there are some who argue that this would result in costs savings and efficiencies. However there are numerous academic studies that indicate predicted savings from amalgamations are optimistic and do not eventuate. Indeed the financial results for the year ending 30 June 2014 show that nine of the biggest Councils in NSW run large operating deficits (refer table below). These councils have an average population of 207,000 and an average operating deficit of \$8.7 million. By contrast, both Ku-ring-gai Council and Hornsby Shire Council run healthy operating surpluses.

**Table 13: Operating Deficits Comparison**

| <b>Council Name</b>       | <b>Operating Deficit (\$'000)</b> | <b>Population</b> |
|---------------------------|-----------------------------------|-------------------|
| Wollongong City Council   | -19,250                           | 205,231           |
| Penrith City Council      | -13,732                           | 190,428           |
| Blacktown City Council    | -12,089                           | 325,185           |
| Liverpool City Council    | -8,260                            | 195,355           |
| Gosford City Council      | -7,303                            | 170,752           |
| Bankstown City Council    | -6,031                            | 196,974           |
| Fairfield City Council    | -4,977                            | 201,427           |
| Sutherland Shire Council  | -4,208                            | 223,192           |
| Campbelltown City Council | -2,571                            | 154,538           |

In 2014 a report was prepared for Hornsby Shire into the possible cost savings from an amalgamation with Ku-ring-gai Council and/or The Hills Shire Council. The forecast savings were based on the amalgamation of Auckland's eight city, regional and district councils into a single Auckland Council, with a population of around 1.5 million people, and amalgamation in Toronto, Canada, which has a population of 2.6 million people, a budget of \$6 billion pa and 20,000 employees. These two very different examples are not comparable for an amalgamation of Ku-ring-gai and Hornsby Shire, with both councils being a fraction of the size. They also operate under different systems of government, for example New Zealand does not have state government, only local and federal. Nevertheless, the predicted savings in the report were relatively small, forecasting savings of only 1.6% of the combined budgets of Ku-ring-gai and Hornsby Shire over 10 years. Earlier in this section it is shown that there would be a large increase in rates for the former Ku-ring-gai area in an amalgamation with Hornsby due to higher land values in Ku-ring-gai. This increase is likely to be much larger than any forecast savings, assuming they eventuated.

The Hornsby report also refers to the average number of residents per council across capital cities in Australia in 2011. The average for Sydney is 106,408, Melbourne is 131,517, Perth 56,535, Adelaide 66,882, Hobart 42,941 and Darwin is 42,500 (Brisbane follows a different centralised local government model and has a much larger population). With the exception of Brisbane, compared to Australian capital cities Ku-ring-gai and Hornsby councils are already large by population, noting that Melbourne councils (average population 131,517) have already been amalgamated. If Ku-ring-gai (population 119,027) and Hornsby (population 166,855) were to amalgamate the resulting population of 285,882 would be one of the largest in Australia.

### Summary

An amalgamated council would result in a larger bureaucracy and there are differing views about whether amalgamations lead to cost savings and greater efficiency. Academic studies indicate that predicted savings from amalgamations are optimistic and do not eventuate.

Nine of the biggest Councils in NSW run large operating deficits. These councils have an average population of 207,000 and an average operating deficit of \$8.7 million. By contrast, both Ku-ring-gai Council and Hornsby Shire Council run healthy operating surpluses.

## 7.3 Workforce and transformation costs

The average cost per employee (2013/14 including all oncosts) at Ku-ring-gai is \$83,000 pa compared to \$86,000 at Hornsby Shire. Employee leave liabilities are also slightly higher at Hornsby compared to Ku-ring-gai. Labour costs as a percentage of the total operating budget is also higher at Hornsby (39% at Hornsby vs 35% at Ku-ring-gai). An amalgamation would require the equalisation of salary systems and conditions of employment. During the transition there would be different salaries for people doing the same jobs. While there is employment protection under the Award for non-senior staff for a period of three years, within that time there is likely to be voluntary redundancies and loss of key staff, loss of organisational knowledge and skills and an impact on culture. The transition process would take a number of years to implement and during that time there would be substantial disruption to service provision and productivity.

A major cost of transition would be the integration of information technology systems. Local government IT systems are inherently complex due to the wide range of services and regulatory functions that are managed. Currently there is very little commonality between the IT systems of Ku-ring-gai and Hornsby, meaning that there would be a major process to move to a common system. The transition would involve many other costs such as for redundancies, employment transition, branding, new accommodation, change management, standardisation of policies, processes and procedures, salary system equalisation and redesign.

The Fit for the Future program would provide \$10.5 million to the new council if Ku-ring-gai and Hornsby amalgamated. A review of amalgamation costs in Queensland by the Queensland Treasury Corporation in 2009 showed that the estimated costs ranged from \$2.3 million to \$21.5 million, with an

average of \$8.1 million. These same Queensland Councils post-amalgamation had an average population of only 69,000. An amalgamation between Ku-ring-gai and Hornsby would have a much larger population of some 286,000 and it is expected that amalgamation costs would therefore be much greater than the Queensland experience.

### Summary

Transitioning to an amalgamated council would take many years and be very costly. Based on the Queensland experience, it is expected that the costs would far exceed the funds being offered by the state government.

During the transition, there would be disruption to service provision, loss of key staff, organisational knowledge and skills.

## 7.4 Costs and Benefits - non-financial

### 7.4.1 Representation

The estimated resident population (2013) of the Ku-ring-gai Council area is 119,027 and for Hornsby Shire it is 166,855. This means that an amalgamation between the two councils would result in a greater number of councillors elected from the former Hornsby Shire area compared to the former Ku-ring-gai area. There would also be an overall reduction in the number of councillors.

**Table 14: Summary of key representation data**

| Data  | Ku-ring-gai  | Hornsby      | Amalgamated Council |
|---|--------------|--------------|---------------------|
| Councillors   | 10 (current) | 10 (current) | 15 (maximum)        |
| Residents per Councillor                            | 11,903       | 16,686       | 19,058              |
| Likely no. of Councillors in an amalgamated Council | 6            | 9            | 15                  |

There are currently 10 councillors elected in both Ku-ring-gai and Hornsby. The Local Government Act provides for a maximum of 15 councillors and there are no plans by the State Government to increase this number. As such an amalgamated council would have a maximum of 15 councillors. This would dramatically increase the number of residents per councillor from 11,903 currently for Ku-ring-gai to a minimum of 19,058 in the amalgamated council.

If the amalgamated Council adopted wards (as is currently the case in both Ku-ring-gai and Hornsby) then it is required by legislation that the wards reflect the population distribution of electors, with no more than 10% variation between wards. Accordingly, areas with higher population must have more councillors elected from those areas.

If there were no wards, Councillors could be elected from anywhere within the LGA. However it is still very likely that an area with a larger population would elect a greater number of councillors. The abolition of wards would also result in rising campaign costs due to the difficulty for candidates in communicating across the whole local government area with some 286,000 residents.

The likely number of Councillors in an amalgamated Council from each former area based on population is 6 for Ku-ring-gai and 9 for Hornsby, assuming a total of 15 councillors. This would be the case unless the electoral system was changed to allow for uneven representation, such that the councillor representation from the former Ku-ring-gai area was greater than from the former Hornsby area. The state government has not announced any plans in this regard and would in any case be contrary to the Australian democratic system of government.

#### **Summary**

An amalgamation is likely to result in 6 councillors elected from the former Ku-ring-gai area and 9 councillors from the former Hornsby Shire area.

There would be an overall reduction in representation with the number of residents per councillor increasing from 11,903 currently for Ku-ring-gai to a minimum of 19,058 in the amalgamated council.

#### **7.4.2 Impact on services and community facilities**

Both Ku-ring-gai Council and Hornsby Shire provide a range of services that comply with legislative requirements, meet local community needs and respond to community objectives and expectations.

The type and levels of service vary considerably between the councils due to significant variations in land area, pattern of development, mix of land uses, population characteristics as well as community needs and expectations.

Ku-ring-gai has relatively compact, more easily accessible urban areas for the delivery of efficient services. In comparison Hornsby is characterised by very large distances, dispersed population settlements and a broad mix of land uses, all of which affect the relative availability of services and their cost. The comparison of Ku-ring-gai Council and Hornsby Shire's physical, social and economic characteristics in earlier sections, highlighted a number of important differences.

For example, Hornsby's services include:

- The maintenance of unsealed rural roads (29km); maintenance of bridges on local urban roads and maintenance and management of boat ramps, jetties and wharfs.

- Bushland management activities provided within the 340km<sup>2</sup> of the LGA designated National Park or environmental protection.
- Land use planning, development assessment, development control and ranger services to an areas 6 times larger than Ku-ring-gai and with a greater mix of land use zones (rural and industrial zones and significantly larger business centre at Hornsby).
- Bushfire management support to a much larger area classified as high fire danger. Hornsby Shire has 20 fire brigades within its LGA, compared to one in Ku-ring-gai.
- Catchment management planning and remediation works to a significantly larger area with major river and creek systems. This includes approximately 168km frontage to the Hawkesbury River, Berowra Creek and Cowan Creek.
- Services reflecting a 40% larger population than Ku-ring-gai.

A combined council would have a much larger population spread over an area five times the current size of Ku-ring-gai with a distance of 65 km to travel from north to the south. The provision of services and facilities would be challenging, with likely conflict about the allocation of resources, service levels and cross subsidisation between different areas. As indicated in Section 3.5.1.3 – *Differences in Service Levels*, Ku-ring-gai has the capacity to provide its residents with higher levels of service than those able to be provided in Hornsby Shire.

This is illustrated in Table 15 showing Ku-ring-gai has expended more on total services per capita than Hornsby in 2013/14.

### Expenditure on services

2013/14 Financial Statements for Ku-ring-gai and Hornsby Shire indicate that Ku-ring-gai and Hornsby have a 13% difference in total expenditure per capita on services<sup>72</sup>.

**Table 15: Expenditure on services for 2013/14 financial year**

| Expenditure on services (2013/14 financial year) |               |               |               |
|--|---------------|---------------|---------------|
| Data   | Ku-ring-gai   | Hornsby       | Combined      |
| <b>Total expenditure</b>                         | \$100,828,000 | \$122,544,000 | \$223,372,000 |
| <b>Total expenditure per capita</b>              | \$847.10      | \$734.43      | \$781.34      |

Source: This assessment has been based on information publicly available in Councils' Annual Reports and Operational Plans.

<sup>72</sup> To understand variations in services provided by individual councils would require a detailed assessment of why a particular service is provided, differing methods of delivering services (in house, outsourced, collaborative), variety in the levels of service delivered (frequency, standard) and pricing.

## Community facilities and assets

Table 16 compares the number of key community facilities and infrastructure within Ku-ring-gai Council and Hornsby Shire as well as a combined council. Key features include:

- The community facilities of both councils are ageing and will need significant investment to renew or replace.
- Ku-ring-gai's parks, sportsgrounds and community facilities are more evenly located through the area, making them more accessible.
- Due to Hornsby's very large geographical area (6 times the size of Ku-ring-gai) many of its community facilities and assets service dispersed and remote communities. A reduction in these facilities and assets may not be possible to achieve potential economies of scale.
- Access to some community facilities for Hornsby residents is impacted by distance of travel, particularly residents in the north and north west of the LGA.

**Table 16: Key Community Infrastructure Comparison (Ku-ring-gai and Hornsby Councils)**

| Key community Infrastructure             | Ku-ring-gai                | Hornsby                    | Combined            |
|--|----------------------------|----------------------------|---------------------|
| Population (2013 estimates)              | 119,027                    | 166,855                    | 285,882             |
| Suburbs                                  | 17                         | 32                         | 49                  |
| Geographical Area                        | 85 km <sup>2</sup>         | 462 km <sup>2</sup>        | 547 km <sup>2</sup> |
| Sealed Roads                             | 479km                      | 635.1km                    | 1114.1km            |
| Unsealed Roads                           | 0                          | 28.9km                     | 28.9km              |
| Libraries                                | 4                          | 5                          | 9                   |
| Parks (includes playgrounds)             | 171                        | 184                        | 355                 |
| Council Child Care Facilities            | 13 (1 operated by Council) | 16 (4 operated by Council) | 29                  |
| Aquatic Leisure Centres/Public Pools     | 1                          | 3                          | 4                   |
| Community Halls/Centres                  | 13                         | 32                         | 45                  |
| Council Offices                          | 2                          | 1                          | 3                   |
| Depots                                   | 1                          | 2                          | 3                   |
| Outdoor Sport Stadium (Capacity 10,000+) | 0                          | 0                          | 0                   |
| Museums & Galleries                      | 1                          | 1                          | 2                   |
| Showgrounds                              | 1                          | 0                          | 1                   |
| Indoor Sport Centre                      | 0                          | 1                          | 1                   |
| Sports fields (individual sports fields) | 52                         | 102                        | 154                 |
| Tennis Courts                            | 71                         | 75                         | 146                 |
| Council Golf Courses                     | 2                          | 1                          | 3                   |
| Volunteer Bushfire Facilities            | 1                          | 20                         | 21                  |

### 7.4.3 Socio-economic issues

The age profiles of both Ku-ring-gai Council and Hornsby Shire in Table 17 below shows above average numbers of school age children and teenagers, a marked loss of young workers 25 + years and above average elderly residents. This profile is most pronounced in Ku-ring-gai. Under a combined council these trends would be more severe with potential cost implications for providing services and facilities that meet the needs of these groups.

Both Ku-ring-gai Council and Hornsby Shire are identified as LGA's with least disadvantage (SEIFA index), low unemployment and strong economies (see Table 18) While these factors would change little under a combined council it is noted that the index is an aggregate score and there are pockets of disadvantage in each LGA.

**Table 17: Demographic Profile Comparison (Ku-ring-gai and Hornsby Councils)**

| Characteristic                       | Ku-ring-gai | Hornsby | Combined |
|--------------------------------------|-------------|---------|----------|
| Estimated resident population (2013) | 119,027     | 166,855 | 285,882  |
| Under 5 years                        | 5.3%        | 6.1%    | 5.7%     |
| Over 65 years                        | 17.4%       | 14.4%   | 15.9     |
| Median Age                           | 41          | 39      | 40       |
| Speaks another language              | 21%         | 28.4%   | 24.7%    |
| Changed address in last 5 years      | 36.5%       | 34.1%   | 35.3%    |
| Public transport to work             | 22.9%       | 23.7%   | 23.3%    |
| University qualification             | 43.3%       | 34.3%   | 38.8%    |
| Median household income              | \$2,508     | \$1,824 | \$2,166  |
| Average household size               | 2.88        | 2.83    | 2.85     |
| Households renting                   | 14.8%       | 20.1%   | 17.45%   |
| Medium and high density              | 22.3%       | 24.8%   | 23.55%   |

**Table 18: Economic Comparison (Ku-ring-gai and Hornsby Councils)**

| Feature            | Ku-ring-gai  | Hornsby   | Combined        |
|--------------------|--|---|-----------------|
| GRP                | \$5.14 billion   | \$6.38 billion  | \$11.52 billion |
| Businesses         | 13,173   | 15,305  | 28,478          |
| Local jobs         | 34,369   | 53,223  | 87,592          |
| Largest industries | Health Care and Social Assistance (20.5%)<br>Education and training (16.6%)<br>Professional, scientific and technical services (13.5%) | Health Care and Social Assistance (16.1%)<br>Retail Trade (14%)<br>Education and training (13.4%) |                 |



#### 7.4.4 Communities of interest

In the context of metropolitan Sydney, Ku-ring-gai and Hornsby have similar age structure, household types and educational attendance. Hornsby has a higher proportion of households renting and is more culturally diverse. An amalgamation may create opportunities for the planning and coordination of services.

An amalgamated council would however have a much larger population of 285,882. Ku-ring-gai's population is relatively evenly distributed while Hornsby's is concentrated at the southern end, with large sparsely populated rural areas and rural communities to the north and west. The distance from the northern end to southern end of an amalgamated council would be some 65 km.

An amalgamation would create challenges for the provision of services to the communities in rural and remote areas. The geographical area of Ku-ring-gai Council is 85<sup>73</sup> square km compared to Hornsby Shire which is more than five times the size at 462<sup>74</sup> square km. Many community facilities in Hornsby Shire service remote communities and the maintenance, support and delivery of community facilities and services over a greater geographical area is difficult and costly. The attraction and access to facilities located in the former Hornsby Shire area would be of limited appeal to Ku-ring-gai residents due to distance. Facilities would need to be duplicated in both areas limiting the opportunities for rationalisation. There is likely to be conflict about the allocation of resources, service levels and cross subsidisation between different areas.

There has been much thought given to the matter of "communities of interest". Professor Samson in his earlier work acknowledged this in discussing the limits to consolidation<sup>75</sup>. The distance of travel, commonality of interest, shared vision for local democratic representation and political outcomes were absolute barriers to consolidation. In this respect, the differences between suburban Roseville and Wisemans Ferry or Canoelands could not be more profound in a metropolitan context.

Fulcher<sup>76</sup> observed that the sense of community was relatively weak in urban areas compared to rural areas where services might be available within a more geographically defined catchment. In support, Fulcher cites the First report of the 1974 South Australian Royal Commission into Local Government Area:

*The successful application of the community of interest test requires an examination of the places to which people go for their employment, the location of their banks, the location of their schools, the places where they do their shopping, and the location of their religious, recreational and major transport facilities. The application of such a test as this in the case of the suburban areas of a capital city is very difficult, particularly if that capital city is growing rapidly.*

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<sup>73</sup> <http://profile.id.com.au/nsroc/about?WebID=120> [accessed 30 June 2015]

<sup>74</sup> <http://profile.id.com.au/hornsby/about> [accessed 30 June 2015]

<sup>75</sup> Australian centre of Excellence for Local Government, Consolidation in local Government: A Fresh Look. Volume 1 report. May 2011. Chris Aulich, Melissa Gibbs, Alex Gooding, Peter McKinlay, Stefanie Pillora and Graham Samson. Page 11.

<sup>76</sup> The Concept of Community of Interest: A Discussion Paper which explores the concept of Community of Interest as it applies to Local Government boundaries. Prepared by Helen Fulcher for the S.A. Department of Local Government 1989. Edited by Rose Bowey January 1991.

The workforce of Ku-ring-gai is to a large degree engaged in professional employment in Ku-ring-gai (24.5%) and in the City and South Sydney 22.5%. They shop for their groceries locally, with escape expenditure for discretionary goods and consumer durables going to Macquarie Centre (Ryde LGA), Hornsby Regional centre (Hornsby Shire) Chatswood Regional centre (Willoughby LGA), the Sydney CBD or Top Ryde centre (Ryde LGA). The population of Ku-ring-gai has a large proportion of families with school age children, attracted by the immense choice of public and private schools in the area, coincidentally the LGAs largest employment sector. While community of interest may be difficult to define in a suburban context, there is no community of interest between Ku-ring-gai and large parts of the Hornsby LGA.

There is a concern that an amalgamation of Ku-ring-gai with the much larger area of Hornsby Shire would diminish our communities of interest and societal connectedness. Councillors elected from different wards may also be disconnected from the residents living in distant communities.

### **Summary**

Hornsby Shire has a larger population dispersed over an area greater than five times the size of Ku-ring-gai. The amalgamated council would be some 65 km in distance from the north to the south. The provision of services and facilities would be challenging, with likely conflict about the allocation of resources, service levels and cross subsidisation between different areas. An amalgamation of Ku-ring-gai with the much larger area of Hornsby Shire would diminish current communities of interest and societal connectedness.

## **7.4.5 Natural environment**

### **Environmental issues**

While Ku-ring-gai and Hornsby Shire share similar bushland flora and fauna there are major differences in their natural environments. Hornsby has significantly greater bushland with 67% of the LGA National Park or environmental protection, along with an urban and rural bushland interface that is not present in Ku-ring-gai. The Hornsby Shire also includes the major river system of the Hawkesbury. There is a concern that a large increase in the amount of overall bushland area managed could see a reduction in the service level for bushland management currently experienced in Ku-ring-gai.

There are currently strong collaborative relationships with Ku-ring-gai and Hornsby relating to the environment, such as the Bushfire Management Committee, the Local Emergency Management Committee, feral animal control programs and noxious weeds programs. While an amalgamation could potentially provide the opportunity to further align environmental best practices these current regional partnerships work very effectively.

Ku-ring-gai Council has a special rates levy for the environment, while Hornsby does not. The continuation of a rates levy for the environment after an amalgamation would require the support of the newly elected council. If it was not continued there would be an impact on both the environment and the community engagement due to the programs and funding it provides.

The extent of local bushland, National Park and environmental protection areas in Hornsby Shire makes it particularly vulnerable to severe fire events. Both Ku-ring-gai and Hornsby are identified as having more than 30% of high fire prone risk addresses in their areas, behind the Blue Mountains at 73%<sup>77</sup>. Costs associated with a heightened fire risk include the need for hazard reduction burns, bushland management, support for 20 fire rural fire service brigades and fire preparedness education and equipment for the community,

Hornsby Shire is also vulnerable to flooding, along the banks of the Hawkesbury River, Berowra Creek and Cowan Creek and potential future sea level rises. Those potential impacts are significant. It is predicted that the mean sea level will rise 0.4m above the 1990 level by 2050 and 0.9m by 2100.<sup>78</sup>

### Summary

Ku-ring-gai and Hornsby have some similarities and major differences in their bushland environments. In a combined council there would be a large increase in the amount of overall bushland area managed which could result in a reduction in the service level for bushland management currently experienced in Ku-ring-gai. A combined council would also have significantly increased exposure to severe fire and flooding events with potential significantly increased costs associated with protection of the community and property, repair of damaged council infrastructure and new, community support services

Ku-ring-gai Council has a special rates levy for the environment, the continuation of which after an amalgamation would require the support of the newly elected council. If it was not continued there would be an impact on both the environment and the community engagement due to the programs and funding it provides.

## 7.4.6 Built environment

### Planning and development issues

An amalgamation with Hornsby Shire raises numerous issues and risks in relation to planning and development. On the one hand it may be perceived that there could be improved overall planning for an amalgamated council, however the two areas have many differences that may be in conflict under the one council area and single elected body.

Ku-ring-gai has a greater focus on preserving the residential character, landscape and heritage values of the area. Ku-ring-gai is closer to the Sydney CBD and has better transport access than Hornsby Shire, while Hornsby has substantially more non-urban and bushland areas. Property values in Ku-ring-gai are significantly higher than in Hornsby, reflecting market preferences, demand and supply.

<sup>77</sup> addresses located within 130metres from bushland at LGA level. – Source: Counting Bushfire-Prone Addresses in the Greater Sydney Region, Keping Chen, Risk Frontiers, Macquarie University, NSW, Australia. pp 5 – 7.

<sup>78</sup> Sea level rise maps. CSIRO. Available on Hornsby Shire Council's website.

Accordingly, there is a risk that future development growth for the combined areas would be concentrated in the southern part of an amalgamated council, being the former Ku-ring-gai area.

A much larger amalgamated council would have a common combined dwelling target, along with a loss of local identity and local planning provisions. Decisions about future development would be made by the amalgamated council, with minority representation from councillors elected from the former Ku-ring-gai area.

Ku-ring-gai Council currently collects significantly more s.94 developer contribution funds than Hornsby Shire. Ku-ring-gai also has an exemption to the statutory cap that sets a maximum level of contribution. There is uncertainty about how the s.94 plans would be consolidated in an amalgamated council and there is potential for cross subsidisation by collecting more funds in the former Ku-ring-gai area and spending it in the former Hornsby Shire area.

#### **Summary**

An amalgamation may result in disproportionately increased development in the former Ku-ring-gai area, negatively impacting on the existing residential character, landscape and heritage values.

Decisions about future development would be made by the amalgamated council, with minority representation from councillors elected from the former Ku-ring-gai area.

There is a risk that s.94 developer contributions collected in the former Ku-ring-gai area may be spent in the former Hornsby Shire area.

### **7.5 Risks of amalgamation – summary**

One of the greatest risks in an amalgamation is the possible impact of a change in political representation. In the case of an amalgamation with Hornsby Shire council, it is likely that there would be only six councillors elected from the former Ku-ring-gai area, and nine from the former Hornsby area.

The Hornsby Quarry also presents a major risk in considering any amalgamation. Studies to date are only high level concepts and there is uncertainty from Ku-ring-gai Council's perspective about the reliability of cost estimates, which are already in the tens of millions of dollars.

Council has assessed the financial impacts of various amalgamation scenarios, with specific attention paid to Hornsby Shire Council being the amalgamation partner recommended by the Independent Local Government Review Panel. An amalgamation with Hornsby Shire would be financially detrimental for the residents and ratepayers of Ku-ring-gai.

There are a number of general financial and non-financial risks associated with an amalgamation scenario including:

- Higher than anticipated transformational costs.

- Higher than anticipated transitional costs.
- Higher than anticipated implementation costs leading to a reduction in anticipated savings.
- Lower than anticipated efficiency gains.
- Corporate and cultural misalignment which may result in decreased employee morale and increased staff turnover.
- Loss of expertise and intellectual capacity due to increased staff turnover.
- Industrial unrest leading to impacts on service delivery and productivity.
- An increase in service levels within the amalgamated Council, standardising on the highest level of those services being integrated.
- An increase in workforce costs within the amalgamated Council, standardising on the highest level of conditions being integrated.
- The financial performance of the amalgamated Council being less than that modelled resulting in either a need to reduce services or find further efficiency gains and/or increase rates.
- The introduction of new services that are not currently delivered by one or more of the former Councils resulting in increased costs.
- The focus on amalgamating the Councils may detract from the requirement to adhere to statutory requirements resulting in serious non-compliance.
- Impacts on business continuity due to the shift in focus and workload during the amalgamation process.
- Misalignment of expectations associated with levels of service by the affected Communities.

In addition to the abovementioned risks, there are a number of specific risks to Ku-ring-gai Council and its community should an amalgamation with Hornsby Shire Council occur. These include:

- Impact of increased rates for Ku-ring-gai due to higher land values.
- Increased volatility in rates in future years when land revaluations occur.
- Cross subsidy to Hornsby rural areas.
- Exposure to \$50 million project to remediate Hornsby Quarry.
- Conflict about allocation of resources between urban and rural areas.
- Service provision across large distances and to remote areas.
- Reduced councillor representation.

- Minority of councillors elected to new council from Ku-ring-gai area.
- Reduction in service levels.
- Concentration of development in Ku-ring-gai area.
- Loss of residential and heritage character of Ku-ring-gai.

Further explanation of risk factors is provided in **Appendix C**.

## 8. Consideration of alternative mechanisms

### 8.1 Amalgamation options considered

Council investigated possible amalgamations with Hornsby, Willoughby, Ryde, Warringah and Pittwater councils. As the Independent Local Government Review Panel recommendation was to amalgamate with Hornsby Shire Council, along with the fact that Hornsby has indicated a preference to amalgamate as recommended, more detailed analysis was undertaken for this option.

#### Hornsby Shire Council

Ku-ring-gai Council wrote to Hornsby Shire Council on 21 November 2014 seeking to discuss amalgamation options. Subsequently both Councils participated in a facilitated amalgamation discussion. The facilitator was Morrison Low (consultants) engaged via the Office of Local Government. Meetings were first held between the consultant and each council, and subsequently a joint meeting was held on Tuesday 7 April 2015.

The facilitator's Final Report from the joint facilitation meeting is at **Appendix E**. The report identifies a contrasting approach between the two councils. Hornsby showed positive support for an amalgamation with Ku-ring-gai or another council as they are of the general view that amalgamations would lead to improved local government. Ku-ring-gai, while happy to discuss amalgamation options, had identified numerous concerns about an amalgamation. These were acknowledged as real issues by the Hornsby Mayor and Councillors, however were not able to offer any practical solutions that would address the concerns.

For the reasons set out elsewhere in this submission, Ku-ring-gai Council resolved not to pursue an amalgamation with Hornsby as it would be highly unfavourable for Ku-ring-gai's residents and ratepayers.

#### Willoughby Council

Ku-ring-gai Council wrote to Willoughby Council on 21 November 2014 seeking to discuss amalgamation options. Subsequently Ku-ring-gai Council's Mayor and General Manager met with Willoughby Council's Mayor and Acting General Manager on 10 December 2014.

On 9 March 2015, Willoughby Council resolved as follows (in part):

*Council resolves not to progress potential merger conversations with Ku-ring-gai Council at this time.*

An assessment of the issues arising from a possible amalgamation with Willoughby Council was prepared by Ku-ring-gai staff and presented at a Councillor workshop and Council Meeting. A summary of major issues identified in the preliminary analysis is provided below:

- 60% of financial ratios would deteriorate.
- Residential rates would decrease in the former Ku-ring-gai area.
- Willoughby Council has a high level of debt.
- Although Willoughby has a lower asset renewal backlog than Ku-ring-gai it has inferior ongoing asset maintenance and asset renewal ratios.
- Decreased representation for residents overall although Ku-ring-gai would have a majority of elected councillors due to its larger population.
- The age structure of the combined Ku-ring-gai and Willoughby areas would provide a greater population mix across all age groups. Willoughby is significantly more culturally diverse.
- Increased access to modern facilities such as The Concourse.

### **Ryde Council**

Ku-ring-gai Council wrote to Ryde Council on 21 November 2014 seeking to discuss amalgamation options. Ryde Council has subsequently resolved to reaffirm its rejection of the Independent Local Government Review Panel's recommendation and to complete an Improvement Proposal.

An assessment of the issues arising from a possible amalgamation with Ryde Council was prepared by Ku-ring-gai staff and presented at a Councillor workshop and Council Meeting. A summary of major issues identified in the preliminary analysis is provided below:

- 60% of financial ratios would deteriorate, ie Operating result, Own Source Revenue. Capital expenditure per capita would decrease.
- Residential rates would decrease in the former Ku-ring-gai area.
- Ryde has a lower asset backlog value and higher renewal ratio but less is spent on maintenance and new capital than Ku-ring-gai.
- Decreased representation for residents overall. Similar populations mean that elected councillor numbers should be balanced.
- Ryde has a strong peak among student age groups and larger young working population.

- Current shortfall in overall community facilities provision but with access to modern mixed use hubs.

### **Warringah Council**

Ku-ring-gai Council wrote to Warringah Council on 21 November 2014 seeking to discuss amalgamation options. Subsequently Ku-ring-gai Council's Mayor and General Manager met with Warringah Council's Deputy Mayor and General Manager on 12 December 2014. Warringah Council is currently pursuing an amalgamation with Manly and Pittwater Councils.

An assessment of the issues arising from a possible amalgamation with Warringah Council was prepared by Ku-ring-gai staff and presented at a Councillor workshop and Council meeting. A summary of major issues identified in the preliminary analysis is provided below:

- 90% of financial ratios would improve, increased revenue per capita, debt servicing improves due to Warringah being debt-free.
- Warringah has a lower asset backlog and invests more into renewal and maintenance.
- Impact on rates is not likely to be significant.
- Decreased representation for residents overall and Ku-ring-gai would have a minority of elected councillors due to its smaller population compared to Warringah.
- Similar demographic profile age structure, households, qualifications and levels of housing tenure and stability.
- Topography creates a major barrier between the communities.
- Significant increase to overall amount of bushland will mean service levels could potentially drop significantly for Ku-ring-gai's reserves. Coastal management also considered costly.
- Accessibility of facilities for Ku-ring-gai residents problematic due to travel distance.

### **Pittwater Council**

Ku-ring-gai Council wrote to Pittwater Council on 21 November 2014 seeking to discuss amalgamation options. Subsequently Pittwater Council has resolved to remain as they are without any boundary changes.

An assessment of the issues arising from a possible amalgamation with Pittwater Council was prepared by Ku-ring-gai staff and presented at a Councillor workshop and Council meeting. A summary of major issues identified in the preliminary analysis is provided below:

- 40% financial ratios would deteriorate, similar capital expenditure per capita, no change in working capital.



- Lower backlog value and more invested into new capital, renewal and maintenance.
- Impact on rates is not likely to be significant.
- Decreased representation for residents overall although Ku-ring-gai would have a majority of elected councillors due to its larger population.
- Similar demographic profile, age structure, households and levels of housing tenure and stability. Lack of community cohesion - no shared boundary with Ku-ring-gai.
- Accessibility of facilities for Ku-ring-gai residents problematic due to travel distance.

## **8.2 Joint Organisations, resource and services sharing**

The Independent Local Government Review Panel identified a Joint Organisation as an alternative to amalgamation for Ku-ring-gai and Hornsby Councils. Ku-ring-gai Council participated in discussions with the North Shore Councils Alliance in relation to developing models for a Joint Organisation. It was considered that a Joint Organisation could assist in strategic planning, advocacy and service delivery. However in the absence of State Government support for the provision of Joint Organisations in metropolitan areas it was not practical to pursue this option in the short timeframe available to submit a Fit for the Future proposal. If a consistent approach to the framework, structure and legislative basis of Joint Organisations for metropolitan councils was able to be developed with the support of the State Government, Ku-ring-gai Council would be an active participant.

Ku-ring-gai Council is currently widely engaged in sharing resources and services. Council participates in numerous joint procurement activities through Northern Sydney Regional Organisation of Councils (NSROC), Shore Regional Organisation of Councils (SHOROC) and local government Procurement. Ku-ring-gai Council is currently the lead council in a regional waste tender. Council is a member of a shared service for the provision of Internal Audit Services amongst seven north shore councils. Further expansion of shared services arrangements via Joint Organisations would be supported by Ku-ring-gai Council.

## 9. Findings and conclusion

To be considered “Fit for the Future” as a stand-alone council, Ku-ring-gai must demonstrate how it has scale and capacity and also how it will meet benchmarks for financial sustainability, infrastructure management and efficiency.

Ku-ring-gai Council, winners of the A R Bluett Memorial Award in 2014, can readily demonstrate that it has scale and capacity. Council’s adopted Revised Delivery Program, Operational Plan and Resourcing Strategy (incorporating the Long Term Financial Plan and Asset Management Strategy) provides certainty that all Fit for the Future benchmarks will be met by 2016/17 and beyond.

Research into various amalgamation options was undertaken by Council. Of Council’s neighbours, Ryde, Willoughby, Warringah and Pittwater councils are not interested in pursuing an amalgamation with Ku-ring-gai at this time.

A detailed assessment of an amalgamation with Hornsby Shire Council has identified the following impacts:

### Representation

- An amalgamation is likely to result in 6 councillors elected from the former Ku-ring-gai area and 9 councillors from the former Hornsby Shire area.
- There would be an overall reduction in representation with the number of residents per councillor increasing from 11,903 currently for Ku-ring-gai to a minimum of 19,058 in the amalgamated council.

### Planning and development

- An amalgamation may result in disproportionately increased development in the former Ku-ring-gai area, negatively impacting on the existing residential character, landscape and heritage values.
- Decisions about future development would be made by the amalgamated council, with minority representation from councillors elected from the former Ku-ring-gai area.
- After an amalgamation, there is a risk that s.94 developer contributions collected in the former Ku-ring-gai area may be spent in the former Hornsby Shire area.

### Rates

- Due to the higher land values in Ku-ring-gai, an amalgamation would result in significantly increased rates in the former Ku-ring-gai area and a reduction in the former Hornsby Shire area.
- Hornsby Shire residents pay a greater percentage of property wealth in rates and therefore have less capacity to increase in the future if required. Any future additional rates income would be drawn disproportionately from the former Ku-ring-gai area due to higher land values.

- There would be greater volatility in rates (eg between different suburbs) in future years when land revaluations occur.
- Rural areas cover 60% of the rateable area of Hornsby Shire while only 1% of the total rates revenue is derived from farmland. Any cross subsidy of the rural areas would be shared with Ku-ring-gai ratepayers after an amalgamation.

### **Hornsby Quarry**

- The latest scheme to remediate the Hornsby Quarry is to obtain fill from the NorthConnex project to part fill the Quarry (approximately one quarter) at an estimated cost of \$22 million of which Hornsby Council's share is \$7.33 million. In addition, there are estimated costs of \$15 to \$20 million for quarry stabilisation and landform, and \$10 million for recreational facilities.
- As the estimated costs are at a concept level and detailed investigations have not yet commenced, there is uncertainty from Ku-ring-gai Council's perspective as to the reliability of these current estimates. The potential liability associated with the Hornsby Quarry is significant in the context of any proposal to amalgamate.

### **Service levels**

- Ku-ring-gai Council has higher revenue per capita than Hornsby Shire, with greater capacity to provide services. An amalgamation would require the equalisation of services, resulting in either a reduction of services for the former Ku-ring-gai area or increased rates to raise the Hornsby Shire service levels.
- The rates would need to increase in the former Ku-ring-gai area by between 18% and 35% to raise the same revenue per capita across the whole of the amalgamated council area as currently enjoyed by Ku-ring-gai.

### **Overall financial health**

- Hornsby Shire Council has lower working capital and reserves than Ku-ring-gai. Hornsby reports a lower infrastructure backlog than Ku-ring-gai, however its ongoing asset maintenance and renewal indicators are inferior.
- Hornsby Shire Council's overall financial position is weaker than that of Ku-ring-gai, a key consideration for an amalgamation. T-Corp assessed Ku-ring-gai as being "Sound" with a "Neutral" outlook, while Hornsby was given the lower rating of "Moderate" with a "Neutral" outlook.
- Hornsby Shire does not need to amalgamate with Ku-ring-gai to be Fit for the Future. It is a large council with an independent assessment from T-Corp as being Moderate. Hornsby Shire has advised that they are revising their Long Term Financial Plan to meet the Fit for the Future criteria.

### **Cost savings and efficiencies**

- An amalgamated council would result in a larger bureaucracy and there are differing views about whether amalgamations lead to cost savings and greater efficiency. Academic studies indicate that predicted savings from amalgamations are optimistic and do not eventuate.
- Nine of the biggest Councils in NSW run large operating deficits. These councils have an average population of 207,000 and an average operating deficit of \$8.7 million. By contrast, both Ku-ring-gai Council and Hornsby Shire Council run healthy operating surpluses.

### **Communities of interest and community facilities**

- Hornsby Shire has a larger population than Ku-ring-gai that is more widely dispersed over an area more than five times the size. The amalgamated council would be some 65 km in distance from the north to the south. The provision of services and facilities would be challenging, with likely conflict about the allocation of resources, service levels and cross subsidisation between different areas. An amalgamation of Ku-ring-gai with the much larger area of Hornsby Shire would diminish current communities of interest and societal connectedness.

### **Environmental issues**

- Ku-ring-gai and Hornsby have significant differences in their bushland environments, with Hornsby directly interfacing with a much greater area. There is a concern that a large increase in the amount of overall bushland area managed could see a reduction in the service level for bushland management currently experienced in Ku-ring-gai.
- Ku-ring-gai Council has a special rates levy for the environment, the continuation of which after an amalgamation would require the support of the newly elected council. If it was not continued there would be an impact on both the environment and the community engagement due to the programs and funding it provides.

### **Workforce and transition costs**

- Transitioning to an amalgamated council would take many years and be very costly. Based on the Queensland experience, it is expected that the costs would far exceed the funds being offered by the state government.
- During the transition, there would be disruption to service provision, loss of key staff, organisational knowledge and skills.

In conclusion, an amalgamation with Hornsby Shire council would be highly unfavourable for the residents and ratepayers of Ku-ring-gai.

Ku-ring-gai Council is already a large council that is a demonstrated industry leader, is in a sound financial position and can meet the Fit for the Future Benchmarks.

## Part C – Ku-ring-gai Council’s Improvement Proposal (existing structure)

### 10. Performance against Fit for the Future Benchmarks

After considering the historical performance in 2013/14, the Fit for the Future program requires consideration of performance firstly for the 2016/17 year and then subsequently for the following three years to 2019/20. The forecast for Ku-ring-gai Council is shown below.

**Table 19: Ku-ring-gai Council Forecast**

| Description                                   | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---------|---------|---------|---------|---------|
| <b>SUSTAINABILITY</b>                         |         |         |         |         |         |
| Operating Performance Ratio                   | 2.3%    | 3.5%    | 4.5%    | 5.2%    | 4.9%    |
| Own Source Revenue                            | 82.6%   | 81.4%   | 74.2%   | 72.4%   | 71.7%   |
| Building & Infrastructure Asset Renewal Ratio | 106.4%  | 125.7%  | 157.3%  | 136.3%  | 118.3%  |
| <b>INFRASTRUCTURE AND SERVICE MANAGEMENT</b>  |         |         |         |         |         |
| Infrastructure Backlog Ratio                  | 4.1%*   | 2.0%    | 0.5%    | 0.5%    | 0.2%    |
| Asset Maintenance Ratio                       | 100.9%  | 104.7%  | 105.4%  | 104.4%  | 103.1%  |
| Debt Service Ratio                            | 7.0%    | 6.8%    | 3.2%    | 3.9%    | 4.5%    |
| <b>EFFICIENCY</b>                             |         |         |         |         |         |
| Real Operating Expenditure (per capita)       | 891     | 877     | 864     | 855     | 849     |

\*Council has a new funding strategy to address the current backlog and decrease it in future years as detailed in the Long Term Financial Plan.

The above benchmarks are based on the adopted Delivery Program, Operational Plan and revised Long Term Financial Plan (LTFP). All of the Fit for the Future benchmarks meet the relevant criteria by 2016/17 and beyond.

The main indicator that required improvement from the historical year 2013/14 was for the infrastructure backlog. Achieving consistency in the calculation of the infrastructure backlog for all councils across the state has been a significant challenge for local government. There is much variability in the methodologies used and for that reason Ku-ring-gai Council engaged the services of the same consultants as used by Hornsby Shire Council to review their backlog, Morrison Low. Morrison Low also undertook the Local Government Infrastructure Audit (June 2013) for the Office of Local Government. As a result of the review Council has identified that to be consistent with the way Morrison Low and other councils measure the backlog, there will be a significant reduction to the calculation of the infrastructure backlog for Ku-ring-gai. As set out in the revised Long Term Financial Plan, Council has also identified a new funding strategy to provide more funds for infrastructure renewal and maintenance, enabling all Fit for the Future benchmarks to be met by 2016/17.

### Sustainability Ratios

**Operating Performance Ratio** is an important financial indicator for Council. Our long-term financial sustainability is dependent upon ensuring that on average over time this indicator is positive, making sure that Council’s expenses are below its associated revenue. This indicator excludes capital income and gain or loss on sale of assets.

Council's current performance ratio is above the benchmark of break even or higher, which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The ratio outperforms benchmark for the entire forecast period of the LTFP with an increasing trend starting from 2015/16 onwards. Operating surpluses are achieved in all future years of its LTFP.

**Own Source Revenue Ratio** measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council’s Own Source Operating Revenue Ratio remains above the benchmark of (>60%) in all future years. Council forecasts a sufficient level of fiscal flexibility to be able to cope with future unforeseen events and challenges. Council has demonstrated that it has sufficient independent scale and is not reliant on grant revenue to ensure sustainability. Operating grants are forecast to contribute on average around 5% of total operating revenue in future years.

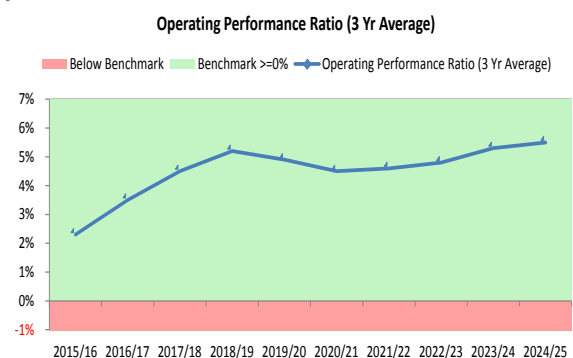


Chart 10: Operating Performance Ratio (3 Yr Average)

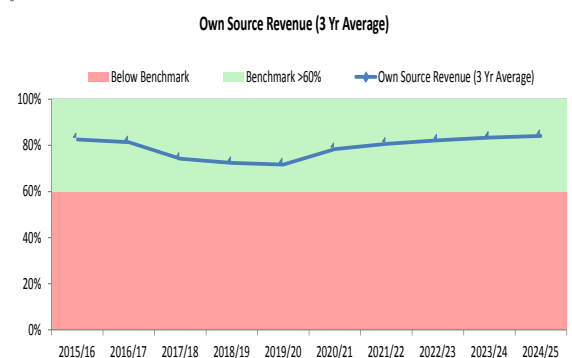


Chart 11: Own Source Revenue (3 Yr Average)

**Building & Infrastructure Assets Renewal Ratio** This indicator assesses Council’s rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. An indicator of 100% indicates that the amount spent on asset renewals equals the amount of depreciation. Council’s ratio stands at 106.4% in 2015/16.

Council is continuing to focus on appropriate asset standards for renewal and maintenance as identified in Council’s Asset Management Strategy. The 2016/17 and later years financial and asset management plans have consciously prioritised renewal capital works programs over new programs.

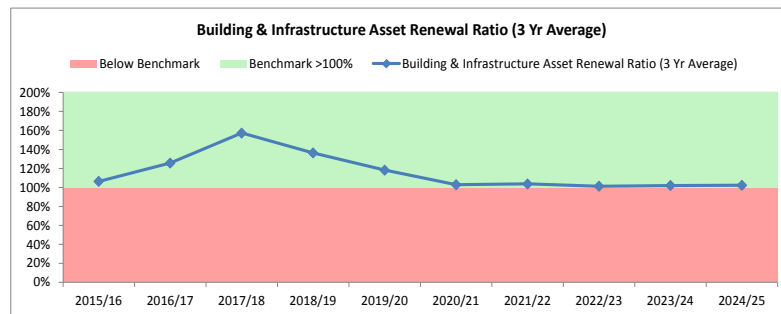


Chart 12: Building & Infrastructure Asset Renewal Ratio (3 Yr Average)

### Infrastructure and Service Management

#### Infrastructure Backlog Ratio, Assets Maintenance Ratio and Debt Service Ratio

The Infrastructure Assets Ratios measure Council’s ability to renew and maintain its asset base to decrease the infrastructure asset backlog in future years. Asset ratios have been incorporated into Council’s Asset Management Strategy and Asset Management Plans and are monitored within Council’s Long Term Financial Plan. Council continues its commitment to maintain financial sustainability and decrease the infrastructure backlog.

**Infrastructure Backlog Ratio** measures what proportion the backlog is against the total value of Council’s infrastructure. Council’s infrastructure backlog ratio has a positive downward trend in the first 3 years, recording a decrease of 3.6% from 4.1% in 2015/16 to 0.5% in 2017/18. The infrastructure backlog will achieve the benchmark of 2% by 2016/17.

**Council’s Asset Maintenance Ratio** is above benchmark at 100.9%. An indicator above 100% indicates Council is investing enough funds to ensure assets reach their useful lives. Council is committed to increase expenditure on asset maintenance in future to ensure assets reach their useful lives.

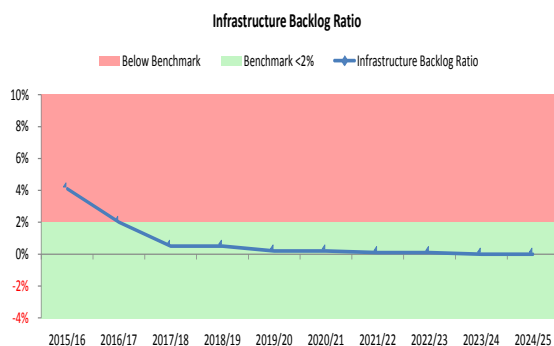


Chart 13: Infrastructure Backlog Ratio

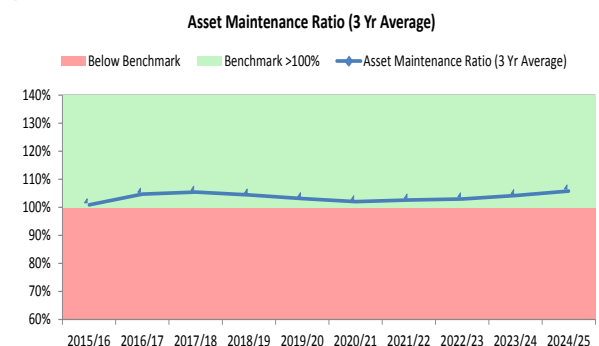


Chart 14: Asset Maintenance Ratio (3 Yr Average)

**Debt Service Ratio** - The purpose of the Debt Service Ratio is to assess the impact of loan principal and interest repayments on the discretionary revenue of Council. In accordance with Council's Long Term Financial Plan, borrowing is only undertaken in accordance with Council's borrowing principles outlined in Council's LTFP. Council's ability to service its debt remains strong for the entire period of the LTFP. As per Council's new funding strategy, the outstanding debt is fully discharged by the end of the current LTFP, including from rent revenue generated through leasing out Council's new administration building for 10 years to repay a loan for infrastructure renewal.

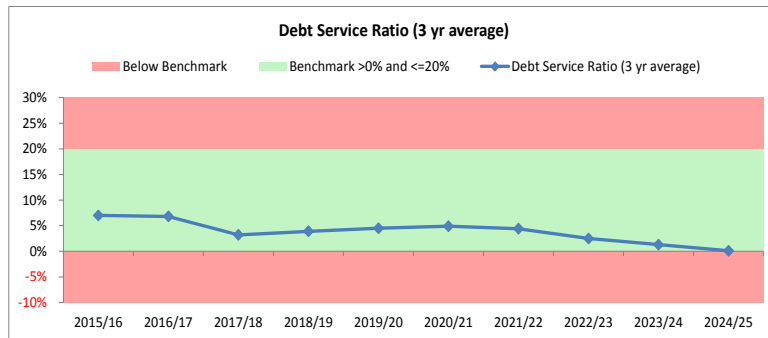


Chart 15: Debt Service Ratio (3 Yr Average)

**Efficiency Ratio: Real Operating Expenditure per Capita**

This indicator compares operational expenditure to population and is a ratio that measures efficiency. Council forecasts a downward trend in all future years of the financial plan. A decrease in the operating expenditure per capita of approximately 1% per year will be achieved while maintaining the same level of service. It is worth mentioning that this can be achieved while maintaining a strong operating surplus in all future years after funding depreciation on infrastructure assets. Council is planning to undertake a review of all Council services over 2015/16 to 2017/18. The objective of this review is to redefine service level and standards to assess cost of service provision and justify the service provision to the community.

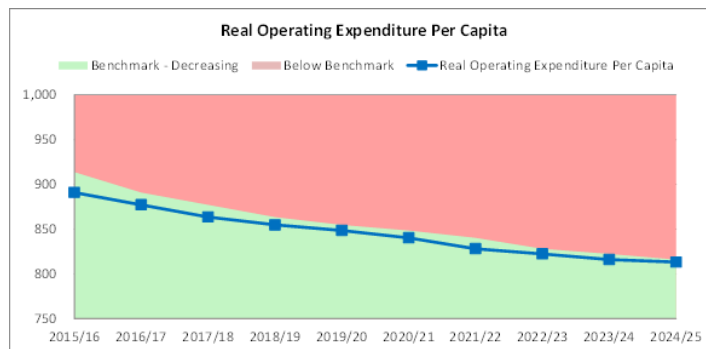


Chart 16: Real Operating Expenditure Per Capita



## Current and forecast performance

### Forecast performance

#### Long term financial plan assumptions

Council's forecast performance together with the Fit for the Future financial ratios are detailed in Council's Long Term Financial Plan (LTFP) 2015/2016 - 2024/2025 adopted in April 2015. In forecasting future performance and future resource requirements Council made assumptions about the key impacts and drivers that will influence Council's finances, assets and workforce into the future. A comprehensive analysis of all internal and external factors affecting those assumptions is undertaken as part of preparing the annual budget to ensure there is a level of confidence in the outcomes provided in the LTFP.

In preparing the 2015/2016 – 2024/2025 Long Term Financial Plan, the following high level assumptions have been adopted:

- the number of rateable properties in Ku-ring-gai is expected to increase from 41,455 to approximately 45,738 by 2025;
- business as usual – services and service levels will remain at similar levels unless otherwise identified;
- efficiencies – Council must continually investigate and adopt service delivery and process efficiencies so that rates remain within capped levels;
- strategic direction – the broad themes and aspiration in the Community Strategic Plan Our Community-Our Future 2030 will be regularly reviewed but are unlikely to change significantly over time;
- external funding – fixed term external grant funding such as the Waste Less, Recycle More (Waste and Resource Recovery Initiative) or our Environmental Special Rate Variation (SRV) may cease in the future at which point delivery of the associated programs may finish;
- infrastructure – we must prioritise funding for asset renewal based on community consultation and technical assessment; and
- financial sustainability – Council seeks to be financially sustainable, which means that it must achieve a fully funded operational position, maintain sufficient cash reserves, have a fully funded capital program and must maintain its asset base.

More specific income and expenditure assumptions are listed in the LTFP. Key income assumptions include:

- inflation (CPI) between 2.4% and 2.9% per annum is applied across all years;
- the annual rates increase is limited to the rates pegging amount of 2.4% set by Independent Pricing and Regulatory Tribunal (IPART) across all years. Council's dependence on rates and annual charges is approximately 56%;

- rates growth is expected to increase by 0.7% per annum across all years through increased development;
- user charges and fees are expected to increase by an average of 4.5% per annum. Council derives approximately 12% of total income from user charges and fees;
- total income is forecast to increase by an average of 3% per annum;
- new infrastructure to support population growth will be funded by s94 contributions where possible;
- significant asset sales over the next two years will be used to discharge the loan that funded the acquisition of Council's Administration Building at 828 Pacific Highway, Gordon. An equivalent amount of loan funds will be drawn and reinvested into infrastructure asset renewals that will help reduce the current assets backlog. Assets sales are also required to fund Council's co-contribution for developer contribution funded works; and
- outstanding debt for infrastructure renewal will be discharged over a longer term from net revenue generated through leasing out the building.

### **Scenario – new funding strategy**

Council's Long Term Financial Plan 2015/2016–2024/2025 considers two options or "scenarios" to address the key challenges facing Council. The two scenarios are explored in detail to determine the impact on Council's funding, workforce and assets. The two scenarios are discussed in more detail in the Long Term Financial Plan (LFTP) and Asset Management Strategy (AMS).

Council adopted Scenario 1 – "Fit for the Future (F4F) base case scenario with additional funding for infrastructure renewal". This scenario assumes a new funding strategy for infrastructure assets renewal. Additional funding is assumed to be generated from proceeds on asset sales which will be used to discharge Council's current outstanding loan. An equivalent amount of loan funds will be drawn and reinvested into Council's renewal program for infrastructure assets.

This scenario provides the best balance between maintaining the condition of priority assets to contribute to the quality of life and amenity of Ku-ring-gai and ongoing financial sustainability.

Council previously resolved to fund a specific project - Relocation of staff to a new Administration Building (service relocation project) through asset sales. Under the current scenario these funds will discharge the current outstanding loan for the Services Relocation project and an equivalent amount of loan funds will be drawn for the purpose of Infrastructure Assets renewal. The loan funds will be used solely on the assets renewal program and the outstanding loan for infrastructure will have an identified repayment source as described further.

The asset renewal funding strategy will increase expenditure on asset renewals by \$ 43.9million for 10 years in addition to the standard renewal expenditure (\$22.6 million will be allocated in the first two years of the LTFP) and allocate \$13.5 million on average in maintenance each year as required by the Asset Management Plan. Additional funding will also have a positive impact on Council's infrastructure backlog, with a reduction in backlog of \$22.2 million by 2016/17, from 6.4% in 2014/15 to 2% in 2016/17 meeting the current industry benchmark. The low level of backlog will be maintained over the long term by investing all additional surplus funds into assets renewal and providing sufficient asset maintenance in future years to prevent the backlog from growing.

The acquisition of the administration building in 2012/13 was originally funded via external borrowing. Under the new funding strategy the administration building will be fully leased out generating enough net revenue over the life of the plan to discharge the outstanding debt for infrastructure renewal over a longer period of time. The relocation of staff to the new administration building is also deferred for a period of up to 10 years.

### **Forecast financial performance – summary**

Council is forecasting to remain in a sound financial position over the life of its Long Term Financial Plan. Council's LTFP ensures financial sustainability, whilst improving service delivery to the community, renewing ageing assets and providing for new facilities. Council remains strongly focused on its long term financial sustainability and achieves the following through its LTFP:

- achieve operating surpluses (excluding capital grants and contributions) in all future years of the LTFP;
- meet or outperform all key financial ratios that ensure Council's long term financial sustainability;
- achieve an adequate working capital balance in future years. Council forecasts to have sufficient liquidity to service all short term liabilities and schedules capital expenditure;
- forecast an increased trend in its revenue by diversifying and improving revenue streams from: fees & charges review and benchmarking and optimising the performance of its property portfolio;
- increased expenditure in asset renewals and asset maintenance as identified by Asset Management Strategy and Plans;
- continue to look for additional efficiencies to further enhance financial commitments for asset renewals.
- strong commitment to the delivery of capital works program. The LTFP forecasts delivery of a total capital works and other major project program over 10 year totalling over \$536 million; and
- maintain sustainable debt and debt service ratio.

### Strong operating result – forecast for the life of the long term financial plan

The operating result after accounting for capital items is a surplus in all projected years. The overall trend in operating result is improving over the forecast period due to revenue growth (averaging 3.1% p.a.) outstripping expenditure growth (averaging 2.5% p.a.). Revenue growth is driven by rates and annual charges, user fees and charges and other revenue including rent income. The strong results in 2016/17 to 2018/19 are primarily due to forecast gains from sale of assets as well as capital income from partner contributions partly funding major projects (such as Lindfield Village Green mentioned Council's LTFP).

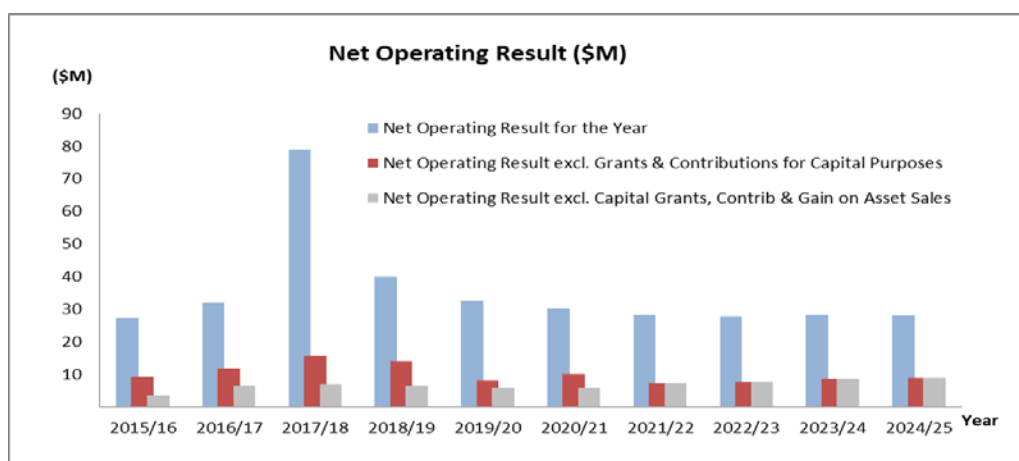


Chart 17: Net Operating Result (\$M)

### Increased trend in projected income

Council obtains revenue from a variety of sources including rates and annual charges, user charges and fees for services, interest and investment revenue, other revenue and grants and contributions for both operating and capital purposes.

Council's revenue has been forecast to increase from \$141.5M in 2015/16 to \$175.2M over the ten years, which is an average of 3% increase per year.

### Rates income and annual charges

Council's dependence upon rates income and annual charges is approximately 56%. The rest of the costs of Council's operations are funded from non-rates income. Part of the increased income from rates is due to the forecast development activity leading to additional dwellings, which will be allocated to assets renewal from 2015/16 onwards and have been incorporated into the LTFP.

Council has two special rate variations (SRV) which are included in the LTFP:

1. The SRV for Infrastructure is a permanent levy from 2014/15 onwards granted by IPART in 2013/14 based on Council's application for a continuation of this SRV.

2. Environmental SRV - an 8-year environmental levy is in place for a special environmental program. This formally expires in 2018/19, although it is likely that Council will seek renewal of this levy. Accordingly, the LTFP assumes continuation of the program of works that it funds and continuation of the levy.

**User charges and fees charges** - Council derives approximately 12% from user charges & fees and these are forecast to increase by an average of 4.5% per year over the forecast period primarily driven by expected rent revenue from the services relocation project.

**Interest income** - Council has forecast an earning rate on its investments of the expected Bank Bill Swap rate (BBSW) + 0.7% over the forecast period. Interest revenue changes in line with cash and investment balances.

**Operating grants and contributions** - Operating grants and contributions increase by an average of 1% p.a. Council's main form of grant assistance is the financial assistance grant, which is a federal untied grant that is distributed between the States based on their percentage of the total population. Financial assistance grants consist of two components both of which are distributed to councils: general-purpose component and a local road component.

**Developer contributions** - Council collects contributions from Developers (s94 Contributions) to help pay for new infrastructure and facilities for the growing population of the area. The Long Term Financial Plan includes the works listed in the *Ku-ring-gai Contributions Plan, 2010*, which came into effect on 19 December 2010. This Contributions Plan applies to development in Ku-ring-gai that gives rise to a net additional demand for infrastructure identified in the Contributions Plan. This period accounts for both the estimated pattern of receipt of Section 94 contributions as well as the delay between contribution receipt and Council's ability to complete works.

Some of the works to be undertaken in the s.94 plan cater for the existing population and these works require a co-contribution from Council's general funds. Revenue from divestment of Council property assets will be used to meet Council's commitment in its s.94 Developer Contributions Plans for co-contributions of general revenues to accompany developer contributions. The amount of funding required from property asset divestment over the 10 years of the LTFP is \$15 million.

**Income from asset sales** - This income from asset sales is from rationalisation of property assets that will start in 2015/16. Planned asset sales are to fund:

- the loan for the acquisition of the administration building at 828 Pacific Highway, Gordon; and
- Council's co-contribution for projects identified in the *Ku-ring-gai Development Contributions Plan, 2010*.

These sales are planned to commence in 2017/18 and continue over a 4-year period as Contribution Plan projects proceed. The total proceeds from asset sales will be used for projects commencing in this financial plan (\$15 million) and the rest will be restricted to the assets sales reserve available for projects commencing beyond 10 years.

## Projected operational expenditure

Council incurs the following expenditure in the course of its operations: employee benefits and on-costs, borrowing costs, materials and contracts, depreciation, other expenses. Total operating expenses are projected to increase by an average annual increase of 2.5% over the forecast period.

**Employee costs** - Employee costs increase by an average of 4% p.a. over the forecast period. Employee related expenditure is the largest expense type incurred by Council. The LTFP reflects the Workforce Strategy. With the allocation of additional funding to Council's infrastructure assets renewal program, workforce resourcing allocation will require review and adjustment in order to meet increased workload demands. Other employee related issues such as maintaining/improving workforce capacity are dealt with in the Workforce Strategy and have therefore not been addressed in the LTFP.

**Borrowing costs** - Borrowing costs incurred include interest on loans held by council. Borrowing costs form 0.4% of the total expenditure incurred by Council. Borrowing cost projections are based on current loans, including the loan facility for the services relocation project and a \$2M loan for the Local Infrastructure Renewal Scheme that Council took in 2012/13. This loan was used for Gordon Library upgrade and public toilet upgrades and will involve a ten year repayment schedule. The LTFP plans no further borrowings in future years.

**Materials and contracts** - Materials and contracts expenses increase by an average of 2.4% p.a. over the forecast period. Materials and contractors is the second largest cash expense item incurred by council (28% of total expenditure in the 2015/16 financial year). Materials and contracts payments include contractor and consultancy costs, which also relate predominantly to Council's maintenance program. Other materials and contracts costs include operating lease expenses, legal expenses, and auditor fees.

**Depreciation and amortisation** - Depreciation and amortisation expenses increase by an average of 2% p.a. Depreciation and amortisation are dealt with in Council's Asset Management Strategy (AMS).

## 11. Improvement strategies and objectives

Council has drawn upon its integrated planning and reporting documents to develop the following improvement strategies and objectives.

| CRITERIA              | OBJECTIVE   | STRATEGY  | KEY MILESTONES   | OUTCOME   | IMPACT ON OTHER MEASURES                            |
|-----------------------|---|---|--|---|---|
| <b>SUSTAINABILITY</b> | Manage financial performance to achieve Financial Sustainability targets identified in the LTFP | Achieve Operating surplus before capital income items to fund capital expenditure                 | Monitor Operating result against budget on a monthly basis<br><br>Report on budget variations to senior management on a monthly basis and quarterly to Council                 | Operating surplus (excl Capital income) achieved as budgeted (\$9.108m) in 2015/16 and as per LTFP target in future years                       |   |
|                       |   | Monitor Operating Expenditure and Revenue against budget and take necessary corrective action     | Report on budget variations to senior management on a monthly basis and quarterly to Council   | Key Financial Indicators achieved as per budget<br>Monthly reports endorsed by senior management<br>Quarterly budget reports adopted by Council |   |
|                       | Maintain a strong level of own source operating revenue   | Complete Stage 2 Review Fees & Charges against benchmarks and adjust/increase to benchmark levels | Complete stage 2 Review of Fees & Charges by 2015/2016.<br><br>Exhibit Fees & Charges by 2015/2016<br><br>Consult with the community on changes to Fees & Charges by 2015/2016 | Fees & Charges with significant revenue earning increased to benchmark<br><br>Improved sustainability ratio                                     | Community resistance to increases in Fees & Charges |
|                       |   | Maximise interest earnings on Council's Investments   | Daily monitoring of Councils cash flow and invest surplus funds  | Operating Surplus achieved<br><br>Investments   |   |

| CRITERIA                                       | OBJECTIVE  | STRATEGY  | KEY MILESTONES   | OUTCOME   | IMPACT ON OTHER MEASURES |
|--|--|---|--|---|--------------------------|
|  |  | portfolio   |  | Portfolio achieves or outperforms industry benchmark<br><br>Interest on investments meets budget (\$4.2m)                         |                          |
|  | Deliver and report on completion of major capital works and recurrent budget identified in the LTFP  | Monitor Operational and Capital Budget to meet all key financial sustainability tests identified in the LTFP and take necessary corrective action             | Monitor capital works program against budget monthly<br><br>Report on capital works and budget variations to senior management monthly.<br><br>Report to Council quarterly | Capital works program completed within budget (\$47.6M in 2015/16)<br>Quarterly budget reports adopted by Council                 |                          |
| <b>INFRASTRUCTURE &amp; SERVICE MANAGEMENT</b> | Implement renewal and maintenance funding strategy to improve asset condition, reduce infrastructure backlog and meet infrastructure assets ratios | Allocate funding for asset renewal as per new funding strategy identified in the Resourcing Strategy (Long Term Financial Plan and Asset Management Strategy) | Backlog reduced as per LTFP target of:<br><br>* 4.1% for 2015/16<br>* 2% for 2016/17   | Meet infrastructure Backlog benchmark <2% by 2016/17<br>Meet, maintain and/or improve infrastructure backlog ratio within 5 years |                          |
|  |  | Prioritise allocation of renewal funding for priority assets classes identified in the Resourcing Strategy (Long  | Building & Infrastructure Assets Renewal Ratio achieved – 106.4% by 2015/16  | Building & Infrastructure Assets Renewal Ratio achieved – 106.4   |                          |



| CRITERIA | OBJECTIVE | STRATEGY   | KEY MILESTONES  | OUTCOME  | IMPACT ON OTHER MEASURES |
|----------|-----------|--|---|--|--------------------------|
|          |           | Term Financial Plan and Asset Management Strategy) and level of infrastructure backlog.  |   |  |                          |
|          |           | Additional funds allocated towards maintenance programs for priority assets classes and service levels established in the identified in the Resourcing Strategy (Long Term Financial Plan and Asset Management Strategy) and level of infrastructure backlog | Council approves divestment of all assets identified upon reclassification. Assets maintenance program achieved and meets budget (\$11.5m) 2015/2016 Asset Maintenance Ratio achieved 100.9% by 2015/16 | Infrastructure assets meet community service levels in line with community priorities. Maintenance priorities established and completed within agreed timeframes identified in Council's adopted Capital Works Program (DP & OP 2013/2017) |                          |
|          |           | Retention of SRV for local roads renewal program in perpetuity   | Continue to deliver local roads renewal program \$9.7M 2015/2016 of which SRV contributes \$2.7M per annum  | Meet infrastructure Backlog benchmark <2% Meet, maintain and/or improve infrastructure backlog ratio by 2016/17  |                          |
|          |           | Infrastructure Renewal loan drawn for the purpose of infrastructure assets renewal and used solely on the assets renewal program in line with programs   | Loan funds redrawn and reinvested into infrastructure asset renewal (\$24m by 2016/17)  | Renewal programs established and completed within agreed timeframes identified in Council's Capital Works Program. Improved  |                          |

| CRITERIA | OBJECTIVE  | STRATEGY  | KEY MILESTONES   | OUTCOME   | IMPACT ON OTHER MEASURES  |
|----------|--|---|--|---|---|
|          |  | for priority assets classes and service levels established in the Resourcing Strategy   |  | Infrastructure Ratios. Meet benchmarks by 2015/16 and maintain over the life of eth LTFFP |   |
|          |  | Depreciation expense is accurately accounted for consumption in assets useful lives as identified in the Asset Management Strategy (AMS) and Asset Management Plans (AMP) | Monitor and maintain depreciation expense annually   | Depreciation is correctly charged against different classes of assets                     |   |
|          | Maintain a sustainable debt level and Debt Service Ratio | Council resolves to defer relocation into new council accommodation for 10 years  | 1 July 2015 – upon commencement of revised DP/OP 2015/16   | Premises utilised as commercial investment property returning market rental               | Premises promoted by external property service Tenancies established at market rent         |
|          |  | Lease income utilised to repay infrastructure loan funds  | Lease out 4,000m <sup>2</sup> of vacant space set aside for council accommodation  | Occupancy rate at 95% by 2016/17  | Subject to market requirements  |
|          |  | Outstanding loan associated with new accommodation building (Services Relocation Project) paid off by funds from surplus asset sales                                      | Council approves divestment of all surplus assets identified upon reclassification<br>Surplus asset sales of \$11.58M by 2015/2016<br>Surplus asset sales of \$12.92M by 2016/2017 | Funds from surplus asset sales discharge loan by 2023/24                                  | Council does not proceed with reclassification and divestments within established timeframe |

| CRITERIA          | OBJECTIVE  | STRATEGY   | KEY MILESTONES  | OUTCOME  | IMPACT ON OTHER MEASURES   |
|-------------------|--|--|---|--|--|
| <b>EFFICIENCY</b> | Demonstrate operational savings (net of IP & R service improvements) over 5 years                              | Redefine service levels and service standards to assess exact costs of services and justify provision of services in consultation with the community | Service levels and standards reviewed and documented by 30/6/2016   | Any savings from service level reviews would further improve Council's financial performance.  | Note: Savings achieved from service level reviews are not incorporated in the current budget forecast and not required to meet FFTF benchmarks.<br><br>Community resistance to changes in service levels |
|                   | .  | The delivery of major projects and capital works is completed within budget and on time  | Total of \$47.6M capital works program completed for 2015/16  | \$47.6M capital works program completed  | Carry forwards<br>Delays with Tender/Procurement processes   |
|                   | Major Local and Town Centres projects i.e. Community hub projects are commercially feasible in their own right | Projects should include commercial opportunities for Council to offset ongoing operational costs (life cycle costs) of the public benefits provided  | Masterplans adopted for Local and Town Centres 2015/2016<br>EOI for the redevelopment of Lindfield Local Centre 2015/2016<br>Redevelopment of Lindfield Local Centre 2016/2017<br>EOI for the redevelopment of Turramurra Local Centre 2015/2016.<br>Redevelopment of Turramurra Local Centre 2016/2017.<br>EOI for the redevelopment of Gordon Town Centre 2015/2016 | Masterplans adopted for the Local and Town Centres with development options substantially progressed to deliver community facilities and public benefits |  |

## 12. Improvement Action Plan

Please see the first year Improvement Action Plan in the Template Section 3.4 and detailed Action Plan attached as **Appendix F**.

The detailed Improvement Action Plan was developed by Council staff in conjunction with key Directors and senior managers across the organisation.

The Action Plan draws upon the objectives contained within Council's adopted Integrated Planning and Reporting documents, in particular:

- Council's term achievements identified in the 2013-2017 Delivery Program.
- The 2015-2016 Operational Plan.
- The revised Resourcing Strategy, incorporating the Long Term Financial Plan, the Asset Management Strategy and Workforce Strategy.
- Council's Capital Works Program.

The Action Plan was adopted by Council 23 June 2015.

## 13. Implementation of Improvement Action Plan

The Improvement Action Plan clearly identifies the linkages to the Community Strategic Plan, Delivery Program and Operational Plan.

The Improvement Action Plan identifies staff responsible for implementing the strategies and subsequent actions to achieve Council's objectives.

## 14. Other strategies/ actions considered

### Other improvement options considered

Council's adopted Integrated Planning and Reporting documents ensure that Council will meet all Fit for the Future benchmarks by 2016/17. This has been achieved by incorporating the strategies and actions identified in this submission into the Operational Plan, Delivery Program and Long Term Financial Plan.

Council has considered a range of other options as follows:

- Apply for a special rate variation – not pursued at this point in time as Council meets all Fit for the Future benchmarks.

- Reduce services – not pursued at this point in time as Council already meets all Fit for the Future benchmarks. However a review of all Council services will be undertaken over 2015/16 to 2017/18.
- Introduce parking meters which would generate additional revenue along with improvements to parking demand management – not pursued at this point in time as Council meets all Fit for the Future benchmarks. However a review of the costs and benefits of parking meters will be conducted in 2015/16.
- Divestment of part of Gordon Golf Course - not pursued at this point in time as Council meets all Fit for the Future benchmarks. However a master planning process is currently underway that may identify future opportunities for divestment and revenue generation.

## **15. Monitoring and reporting future performance**

Progress on implementation of the Improvement Proposal and Improvement Action Plan will be reported in line with statutory and Integrated Planning & Reporting requirements.

Council proposes that monitoring and reporting on our Improvement Proposal should be undertaken as follows:

- Quarterly progress status updates to Council as part of our financial reporting.
- Twice yearly progress status updates with reports on the Delivery Program.
- Yearly progress reporting to the community and the NSW Government in Council's Annual Report.

Council has an established internal steering group comprising of representatives from each department to monitor the implementation process.

## 16. Social and community context

Ku-ring-gai is a middle ring urban metropolitan council in the northern Sydney region with a compact land area of 85km<sup>2</sup> and located only 16km from the Sydney CBD. It has a very large population of 119,027 (ABS ERP 2014), with currently projected population of 151,100 by 2031 (NSW Department of Planning). Population is growing at a high 1.73% average annual rate (ABS, 2011). Population is characterised mainly by mature families with school age children and teenagers (46%) and older age groups.<sup>79</sup> The population is increasingly culturally diverse with 21% speaking a language other than English at home (mainly Cantonese, Mandarin and Korean).

Defining characteristics of Ku-ring-gai are its unique natural environment which is highly valued by the community. It includes:

- 3,148 hectares of bushland.
- 150 bushland reserves interfacing with residential areas.
- Nationally significant biodiversity and ecological features.
- A significant tree canopy throughout the urban areas.
- Three National Parks adjacent to its boundaries.

The area is also nationally recognised for its Aboriginal and European architectural heritage, the latter encompassing magnificent intact homes and streetscapes built during the Federation and interwar periods.

Ku-ring-gai shares boundaries with four other councils – Willoughby (5.38km), Warringah (18.92km), Hornsby (16.58km) and Ryde (8.86km).

The LGA contains predominantly residential areas with seven substantial local commercial centres of mixed office, retail and service activities and some employment and business park development. Urban areas are evenly distributed around the main north-south rail and road links and contain both detached dwellings (75%) and substantial areas of medium to high rise residential units (25%) spread along the railway corridor.

The Ku-ring-gai population is characterised by well above Sydney average tertiary educational qualifications at degree level, high levels of workforce participation (60%), very high median income and employment mainly in professional, scientific and technical industries. Ku-ring-gai was the most highly advantaged LGA in NSW at the 2011 Census (SEIFA index).

The local economy is quite self-sufficient with 13,173 businesses, 34,369 local jobs, an above Sydney average of 8% of the workforce home-based and contribution to GRP of \$5.14 billion in 2011.(ABS census) Major local industries are Health Care and Social Assistance (20.5%), Education and training (16.6%) and Professional, scientific and technical services (13.5%).

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<sup>79</sup> Informed Decisions, *Community Analysis – Demographic Characteristics of Potential Merger LGAs*, March 2015, p 15.

## 16.1 Community goals and priorities

The Ku-ring-gai Community Strategic Plan<sup>80</sup>, adopted by Council in June 2013, both expresses the long term aspirations and objectives<sup>81</sup> of the Ku-ring-gai community and addresses the community's identified priority issues grouped under the following six themes:

1. Community, People and Culture;
2. Natural Environment;
3. Places, Spaces and Infrastructure;
4. Access, Traffic and Transport;
5. Local Economy and Employment; and
6. Leadership and Government.

Key priorities for the Ku-ring-gai community which addressed identified challenges, as contained in the plans include;

- protecting our natural environment;
- managing urban change in a way that retains the leafy green landscape and heritage character of the area;
- planning for our increasing older and younger aged residents;
- bringing vitality to our centres, making it easier and safer to move around, increasing visitors to the area;
- promoting Ku-ring-gai as a place to set up business: and
- improving and renewing our infrastructure including community facilities, recreation and open space areas, roads, footpaths, drains and the public domain.

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<sup>80</sup> Councils Community Strategic Plan 2030 can be found at:  
[www.kmc.nsw.gov.au/communitystrategicplan](http://www.kmc.nsw.gov.au/communitystrategicplan) [accessed 29 June 2015]

<sup>81</sup> Refer to Table 20 – Long Term Objectives identified in Council's adopted Community Strategic Plan.

**Table 20: Long Term Objectives identified in Council's adopted Community Strategic Plan**

| <b>Long Term Objectives</b>  |
|--|
| An equitable and inclusive community that cares and provides for its members.  |
| A harmonious community that respects, appreciates, celebrates and learns from each other and values our evolving cultural identity.                                      |
| A community where opportunities are provided for all voices to be heard and where community stewardship, participation and engagement is supported and promoted.         |
| A community that embraces healthier lifestyle choices and practices.   |
| A community where residents feel safe and enjoy good health.   |
| Housing diversity, adaptability and affordability is increased to support the needs of a changing community.   |
| An aware community able to prepare and respond to the risk to life and property from emergency events.   |
| A community empowered with knowledge, learning and information that benefits the environment.  |
| Our bushland is rich with native flora and fauna.  |
| Our natural waterways and riparian areas are enhanced and protected.   |
| A community addressing and responding to the impacts of climate change and extreme weather events.   |
| A community progressively reducing its consumption of resources and leading in recycling and reuse.  |
| Ku-ring-gai's unique visual character and identity is maintained.  |
| A robust planning framework is in place to deliver quality design outcomes and maintain the identity and character of Ku-ring-gai.                                       |
| The built environment delivers attractive, interactive and sustainable living and working environments.  |
| Our centres offer a broad range of shops and services and contain lively urban village spaces and places where people can live, work, shop, meet and spend leisure time. |
| Ku-ring-gai's heritage is protected, promoted and responsibly managed.   |
| Recreation, sporting and leisure facilities are available to meet the community's diverse and changing needs.  |
| Multipurpose community buildings and facilities are available to meet the community's diverse and changing needs.  |
| An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian of our community assets             |
| A range of integrated transport choices are available to enable effective movement to, from and around Ku-ring-gai.  |
| The local road network is managed to achieve a safe and effective local road network.  |
| An accessible public transport and regional road network that meets the diverse and changing needs of the community.   |
| Ku-ring-gai is an attractive location for business investment.   |
| Key stakeholders have confidence in, and pro-actively partner with Council to enhance employment and economic benefits.  |
| Ku-ring-gai has a range of activities and experiences that attract visitors.   |
| A shared long term vision for Ku-ring-gai underpins strategic collaboration, policy development and community engagement.  |
| Council rigorously manages its financial resources and assets to maximise delivery of services.  |
| The organisation is recognised and distinguished by its ethical decision-making, efficient management, innovation and quality customer service.                          |
| The community is informed and engaged in decision-making processes for community outcomes.   |



## 17. Consultation on Fit for the Future

Ku-ring-gai Council has undertaken a range of communication and engagement activities to:

- inform the community about the state government's Fit for the Future (FFTF) proposals and what they may mean for Ku-ring-gai;
- consult with the community to gauge opinions about the proposals, particularly in relation to the proposed amalgamation of Ku-ring-gai with Hornsby Shire Council; and
- inform the staff about the state government's Fit for the Future (FFTF) proposals and what they may mean for staff.

Council's comprehensive community consultation strategy, which was conducted over a two month period in May/June 2015 on the state government's proposed reforms to local government, focussed on two options; whether Ku-ring-gai should remain a stand alone council or amalgamate with Hornsby Shire Council. This latter option was proposed by the Independent Local Government Review Panel specifically set up by the state government to examine council reform.

### 17.1 Community consultation

Council used a wide range of traditional and digital communication and engagement methods to ensure that the community were aware of proposed changes and could have their voices heard on this important issue. The methods employed and their outputs are outlined in this report. The results of community consultation are incorporated into the Council's submission to the state government as **Appendix H**.

Council understands that people's level of interest in matters relating to local government varies and that traditional opt-in engagement approaches may not provide a completely accurate picture of the opinion of a community. As a result and due to the high importance of this issue, Council employed an independent market research consultancy to develop and conduct a demographically representative telephone survey to obtain an accurate picture of community sentiment.

The telephone survey of 402 residents had a maximum sampling error of plus or minus 4.9% at 95% confidence. The results of the survey indicated that after being informed of the arguments for and against an amalgamation with Hornsby and Ku-ring-gai Council's position, participants' preferences were as follows:

- 79% indicated a preference to stand alone
- 21% preferred to amalgamate with Hornsby Council

Council also conducted a similar opt-in community survey between 15 May and 12 June 2015, available online and in print with 2077 responses received. The results of this survey were similar as follows:

- 77% indicated a preference to stand alone

- 23% preferred to amalgamate with Hornsby Council

Council also conducted a community meeting to provide people the opportunity to discuss FFTF with senior Council staff, Council's adopted position, to ask questions and take part in a ballot. 29 community members attended of which 26 people completed a ballot paper. The results showed:

- 92% (24 people) oppose amalgamation
- 4% (1 person) supports amalgamation
- 4% (1 person) didn't know

The community has consistently indicated a preference for Ku-ring-gai to remain a stand alone council and does not support the Local Government Review Panel's recommendation to amalgamate Ku-ring-gai Council with Hornsby Shire Council. The reasons for this view as stated in feedback collected in the representative telephone survey include the belief that standing alone will be a financially better solution, concern regarding the differences between Ku-ring-gai and Hornsby Councils and residents' satisfaction with the current level of services and situation.

In conclusion, community feedback obtained during the two month period of consultation supports Council's adopted position taken on 28 April to remain a stand alone council.

## 17.2 Staff consultation

The General Manager, Directors and an internal steering group with representatives from all divisions have been involved in researching and assessing the various amalgamation scenarios and improvement proposal.

Ku-ring-gai Council staff were informed about the Fit for the Future proposals. Council staff were invited to attend the meeting hosted by the general manager and senior staff and were provided updates regarding FFTF and what it would mean for the Council, community and staff. Question and answer sessions were included to provide staff an opportunity to have their say and obtain clarification on issues of concern. Council staff were consulted as follows:

- Six (6) information sessions with the General Manager and senior staff in November 2014 (2), December 2014 (1) and May 2015 (3).
- A newsletter was distributed to 450 staff to provide information on Fit for the Future on 28 April and 26 June 2015.
- Regular e-mails from the General Manager updating staff on Fit for the Future staging and milestones.

## Glossary

### *AR Bluett Memorial Award*

The AR Bluett Memorial Award has been awarded annually since 1945 in memory of Albert Robert Bluett. AR Bluett was an outstanding figure in local government, serving as the Secretary and Solicitor to the Local Government and Shires Associations of NSW for 30 years and one of the architects of the Local Government Act of 1919. The A R Bluett Memorial Award is keenly contested each year by councils in NSW who would like to be recognised as being the most progressive in the state in all aspects of their operations and services.

### *Community Strategic Plan*

The Ku-ring-gai Community Strategic Plan 2030 - Our community Our future identifies the community's main priorities and aspirations for the future and sets out clear strategic directions to achieve them over the long-term. While Council has the main role in progressing the plan on behalf of the community other partners such as government agencies, external organisations and community groups also play an important role in delivering the long-term objectives of the plan.

### *Councillors*

Elected representatives who set strategic direction for the organisation, monitor organisational performance, liaise with stakeholders and ensure operational compliance.

### *Delivery Program*

The Delivery Program outlines what Council intends to do towards achieving the Community Strategic Plan's longterm objectives and priorities during the four year term of the elected Council. This includes identifying who is responsible for achieving objectives in the Community Strategic Plan. Some will be the responsibility of Council, some will be other levels of government and some will be community groups or individuals.

### *Demographic Statistics*

Demographic statistics in this report are taken from the 2011 Australian Bureau of Statistics Census figures for Ku-ring-gai and Greater Sydney. The statistics can be readily accessed through Council's website.

### *ERP*

This is the estimated resident population and is updated annually by the Australian Bureau of Statistics. The Census count is not the official population of an area. To provide a more accurate population figure which is updated more frequently than every five years, the Australian Bureau of Statistics also produces "Estimated Resident Population" (ERP) numbers.

### *IPART*

Independent Pricing and Regulatory Tribunal of NSW. The tribunal sets the local government rate peg and assesses applications for special rate variations and council contributions plans.

### *Integrated Planning and Reporting (IP&R)*

In 2009 the NSW Division of Local Government introduced the Integrated Planning and Reporting Framework. The framework introduced a hierarchy of plans which require:

- long-term strategic planning with the community
- long-term resourcing strategies for assets, finances and the workforce
- four year programs aligned to a council's term, detailing key actions, projects and resourcing
- one year plans of actions, projects and budgets
- quarterly, biannual and annual performance reporting schedule.

### *Long-term Objective*

Describes the desired future state or outcome for each issue. 'Long-term' implies that it is beyond this Council's term and in some instances beyond a second term as well. It

### *LTFP*

Long-term Financial Plan. It sets out Council's 10-20 year financial plan.

### *Office of Local Government*

The Office of Local Government is responsible for local government across NSW. The Office's organisational purpose is to "Strengthen Local Government" and its organisational outcome is "Fit for the future councils leading strong communities".

The Office has a policy, legislative, investigative and program focus in matters ranging from Local Government finance, infrastructure, governance, performance, collaboration and community engagement. The Office strives to work collaboratively with the Local Government sector and is the key adviser to the NSW Government on Local Government matters.

### *Operational Plan*

An annual plan that provides details of projects and activities for one year of the Delivery Program with a detailed annual budget.

### *Performance Reporting*

The introduction of a corporate performance reporting system has allowed us to significantly progress the quality of our reporting in the past two years and to improve the connectivity of our short, medium and long term objectives and relate these to the performance indicators which have been developed to

support the objectives of the Community Strategic Plan 2030. The performance of Council against the delivery of the activities is measured through two levels of indicators. Key performance indicators (KPIs) represent a measure of the standard or outcome of an organisation's services or activities. The KPIs are designed to encapsulate the performance and outcomes of Council and are reported on every six months. Tied to this reporting, Council also receives quarterly budget reports which provide data on the financial position of Council in terms of its income and expenditure as well as the status of its adopted capital works program.

### *Resourcing Strategy*

The Resourcing Strategy details how the strategic aspirations of Ku-ring-gai can be achieved in terms of time, money, people and assets. The Resourcing Strategy spans ten years. Its component parts include:

- 10-year Long-term Financial Plan
- 10-year Asset Management Strategy
- Four-year Workforce Strategy

The Resourcing Strategy is the link between the long-term Community Strategic Plan and the medium-term Delivery Plan. It is prepared every four years following each Council election. It is developed concurrently with the other plans in the IP&R framework. The Resourcing Strategy is designed to be a living document to reflect changing financial and asset information. Initiatives within the Resourcing Strategy will be reviewed annually to ensure relevance in the changing environment and to incorporate any community feedback.

## Acronyms

|       |  |        |  |
|-------|--|--------|--|
| ABS   | Australian Bureau of Statistics                                | LEMC   | Local Emergency Management Committee               |
| ACELG | Australian Centre of Excellence for Local Government           | LEP    | Local Environmental Plan                           |
| AIBS  | Australian Institute of Building Surveyors                     | LIRS   | Local Infrastructure Renewal Scheme                |
| AMS   | Asset Management Strategy                                      | LTFP   | Long Term Financial Plan                           |
| BBP   | Better Business Partnership                                    | NESB   | Non-English Speaking Background                    |
| BBSW  | Bank Bill Swap Rate  | NPWS   | National Parks & Wildlife Services                 |
| BRMC  | Bushfire Risk Management Committee                             | NSROC  | Northern Sydney Regional Organisation of Councils  |
| CALD  | Culturally and Linguistically Diverse                          | OECD   | Organisation for Economic Co-operation Development |
| CBD   | Central Business District                                      | OEH    | Office of Environment and Heritage                 |
| CEB   | Northern Sydney District Community Engagement Board            | OLG    | Office of Local Government                         |
| CLHPA | Cumberland Livestock Health and Pest Authority                 | OP     | Operational Plan                                   |
| CPI   | Consumer Price Index   | RE     | Renewable Energy                                   |
| CRC   | Cooperative Research Centre                                    | RFS    | Rural Fire Service                                 |
| CSP   | Community Strategic Plan                                       | SEIFA  | Socio-Economic Indexes for Areas                   |
| DCP   | Development Control Plan                                       | SES    | State Emergency Service                            |
| DHA   | Deference Housing Australia                                    | SHOROC | Shore Regional Organisation of Councils            |
| EFT   | Equivalent Full Time   | SRV    | Special Rate Variation                             |
| ERP   | Estimated Resident Population                                  | SSROC  | Southern Sydney Region of Councils                 |
| ESL   | Environmentally Sensitive Lands                                | T-Corp | NSW Treasury Corporation                           |
| FFTF  | Fit for The Future   | TfNSW  | Transport for NSW                                  |
| GPT   | Gross Pollutant Trap   | UFAAG  | Urban Feral Animal Action Group                    |
| GRP   | Gross Regional Product   | VENM   | Virgin Excavated Natural Material                  |
| GSC   | Greater Sydney Commission                                      | WASIP  | Waste Sustainability Improvement Payment Program   |
| ILGRP | Independent Local Government Review Panel                      | WSC    | Water Sensitive Cities                             |
| IPART | Independent Pricing and Regulatory Pricing Tribunal            | WSUD   | Water Sensitive Urban Design                       |
| KFAC  | Ku-ring-gai Fitness and Aquatic Centre                         | 100RC  | 100 Resilient Cities                               |
| KYDS  | Ku-ring-gai Youth Development Service Inc Management Committee |        |  |
| LGA   | Local Government Area  |        |  |
| LLS   | Local Land Services  |        |  |

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## Appendices

## Appendix A – Ku-ring-gai Council's responses

### Chronology of Ku-ring-gai Council's Responses to Government proposals<sup>82</sup>

The following provides a chronology of Ku-ring-gai Council's responses to the NSW Government's ILGRP and Fit for the Future proposals for local government.

#### ILGRP's 2013 Future Directions Paper

The ILGRP's 2013 Future Directions Paper recommended that Ku-ring-gai and Hornsby Shire Councils amalgamate and that evidence-based responses be sought from the councils for review.

- **Council's response**

Based on Ku-ring-gai Council's initial research of information available from the NSW government and other sources, Council concluded that the disadvantages of an amalgamation for Ku-ring-gai residents far outweighed any perceived advantages. Council resolved in August 2013 to not proceed with discussions on amalgamations, and to encourage and participate with the Northern Sydney Regional Organisation of Councils (NSROC) in investigating opportunities to increase the range of resource and services sharing.

#### ILGRP's Final Report - 2014

The ILGRP's 2014 Final Report maintained the recommendation that Ku-ring-gai and Hornsby Shire Councils amalgamate and that evidence-based responses be sought from the Councils for review. (Recommendation 41)

- **Council's response**

***Ku-ring-gai Council's response to the State Government on the ILGRP's report was adopted at its Ordinary Meeting on 25 March 2014.*** Council's response to Recommendation 41 was as follows:

*This Recommendation is not supported. The Panel has not substantiated why it has put forward the various proposals for mergers and boundary changes. It has provided no quantification, nor evidence, as to the benefits or costs. The panel has simply drawn lines on a map and now seeks evidence-based responses from the affected councils. The panel should fully justify its proposals, including quantification of costs and benefits, before councils incur substantial costs and disruption to the conduct of ordinary service provision in order to prepare a response.*

*In proposing a merger of Ku-ring-gai and Hornsby Councils, the Panel has ignored the impact on ratepayers, amongst other things. In particular, Ku-ring-gai residents would be cross-subsidising the residents of Hornsby. This is because Council rates are based on land values and the residential land values in Ku-ring-gai are on average 50% higher than in Hornsby. If the two Council areas merged the rates paid in the Ku-ring-gai area are likely to increase substantially.*

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<sup>82</sup> Copies of reports and minutes will be provided upon request.

## Hornsby Shire Council commissioned report – August 2014

**At the Ordinary Meeting of Council on 12 August 2014**, Ku-ring-gai Council considered a report commissioned by Hornsby Council titled, “Analysis of local government reform options in the Northern Sydney area – 22 May 2014”.

- **Council’s response**

**Council resolved as follows:**

*That Council note that the report commissioned by Hornsby Council titled “Analysis of local government reform options in the Northern Sydney area – 22 May 2014” does not support the case for amalgamation of Ku-ring-gai and Hornsby Councils as the forecast saving is small compared to the risks involved, representing only 1.6% of the combined budgets over 10 years. This forecast:*

- i. Is based on simplistic assumptions derived from case studies of Council amalgamations of much larger scale and range of services offered.*
- ii. Is likely to be optimistic and does not include an adequate allowance for transition costs.*
- iii. Does not provide an adequate return for the substantial risks and disruption involved in an amalgamation.*
- iv. Does not take into account the impact on Ku-ring-gai ratepayers in sharing in substantial costs to rehabilitate and stabilise the Hornsby Quarry.*
- v. Does not take into account the impact of rates redistribution on Ku-ring-gai ratepayers due to higher land values, resulting in an increase in rates likely to be much greater than the forecast savings from amalgamation.*
- vi. Does not address the loss of councillor representation, nor the operational difficulties, social challenges, town planning issues and political complexities in managing an amalgamation of two large, diverse council areas that stretch from the rural locality of Wisemans Ferry through to the urban suburb of Roseville, some 65 km to the south.*
- vii. That Ku-ring-gai Council’s response to the report commissioned by Hornsby Council be sent to the State MPs for Ku-ring-gai, Davidson and Hornsby.*

## **NSW Government’s Fit for the Future program**

On 10 September 2014 the State Government released its Fit for the Future program. The program includes two options for metropolitan councils. The first option is to complete a Council Improvement Proposal and the second option is to complete a Council Amalgamation Proposal.

A council that completes an Improvement Proposal must firstly demonstrate how it has “Scale and Capacity” and secondly how it will meet benchmarks for financial sustainability, infrastructure management and efficiency.

A council that does not consider that it has scale and capacity is asked to complete an Amalgamation Proposal.

- **Council's response**

**On 28 October 2014 Council considered a Notice of Motion on NSROC Councils and Fit for the Future and resolved as follows:**

- A. *That Councillors receive a formal briefing on Fit for the Future as soon as possible.*
- B. *That Council pursues a strategy in preparing a Fit for the Future application based on continuing as an independent, vibrant and viable Council.*
- C. *That Council continues to discuss all options for reform with surrounding Councils.*
- D. *That the Mayor and / or Council's second elected NSROC representative Councillor Malicki plus the General Manager attend every meeting called by the NSROC Councils, including those called by individual members, to discuss a response to Fit for the Future or to discuss resource and services sharing. This will include attending the meeting on 30 October called by the Mayor of Ryde Council.*
- E. *That all Mayoral correspondence on Fit for the Future and all correspondence to or from NSROC or its member Councils be distributed to Councillors within 24 hours of receipt or reply or as soon as reasonably practicable.*

**On 11 November 2014, Council rescinded the above Resolution from 28 October 2014. Council subsequently resolved as follows:**

- A. *That Council commence preparation of a "Council Improvement Proposal (Existing Structure)" for submission to the NSW Government by 30 June 2015.*
- B. *Notwithstanding A. above, that Council proactively begin discussions with surrounding Councils about Merger proposals, engaging facilitators and other consultants as necessary to enable a report to be brought back to Council in February 2015 with possible configuration options before proceeding to the next step in the Merger proposal process and preparing a detailed business case for consultation with the community.*
- C. *That the Mayor and General Manager attend all relevant meetings with surrounding Councils to discuss potential options under the Fit for the Future program, including those called by NSROC or the proposed Northern Metropolitan Council of Mayors.*

## Consideration of Joint Organisation model

### **On 25 November 2014 Council resolved as follows:**

*That Council endorses the following responses to be tabled at the next meeting of the North Shore Councils Alliance:*

- 1. Ku-ring-gai's preferred strategic direction is to examine models that more closely align to the Government's position. In relation to developing a Joint Organisation (JO) model which is currently being explored by the North Shore Councils Alliance, this would necessitate a model with agreed formal decision making authority that would bind all member Councils.*
- 2. Council defers any consideration of the appropriate time to go public until such point as the Council endorses a Joint Organisation model underpinned by relevant structure and functioning.*

## Assessment of Fit for the Future Proposal

Concurrently with discussions on resource and services sharing with NSROC councils, as well as discussions with adjoining councils on potential amalgamations, Ku-ring-gai Council also carried out a comprehensive review of the required elements of the Government's Fit for the Future proposal. This included the Government's preferred option to amalgamate with Hornsby Shire as well as other potential councils.

The review was completed by an internal steering group comprising executive and senior managers and key professional and technical staff and included the engagement of independent consultants to prepare socio-economic research. Further analysis of the organisation's operations included the engagement of independent consultants to assess asset management processes and provide advice on technical and financial asset registers.

Facilitated discussions with Hornsby Shire Council

Consistent with the NSW Government's Fit for the Future proposal, and Hornsby Council's support for amalgamations, both Ku-ring-gai and Hornsby Councils requested the NSW Office of Local Government (OLG) to assist with discussions on a potential amalgamation.

- **Council's response**

### **On 24 February 2015 Council resolved as follows:**

- A. That the report be received and noted.*
- B. That all Councillors be invited to attend the initial meeting with Morrison Low to discuss a possible merger with Hornsby Shire Council.*
- C. That it is the strong preference of Council for all Councillors to attend both meetings.*
- D. That any decisions required as a result of the facilitation meetings be brought back to a full meeting of Council for formal determination.*

- E. *That Council determine not to participate with Lane Cove and other Northern Sydney Councils in a shared communications strategy that is implemented both before and after the March State election that opposes forced amalgamations.*

### **Assessment of potential amalgamation partners**

**On 12 March 2015** a workshop was held with Councillors, the senior executive and members of the internal steering committee to discuss and consider the outcomes of discussions with surrounding councils, up to that date, and research prepared into the impacts of potential amalgamations.

This included research about possible amalgamations with Hornsby, Willoughby, Ryde, Warringah and Pittwater councils. As the ILGRP recommendation was to amalgamate with Hornsby Shire Council, along with the fact that Hornsby had indicated a preference to amalgamate as recommended, more detailed analysis was provided for this option.

### **Outcomes of discussions with Hornsby Shire Council**

Morrison Low consultants were engaged by the OLG to facilitate a meeting between Ku-ring-gai and Hornsby Councils. The report on those discussions, including a summary of outcomes and unresolved issues, can be found in **Appendix E**.

### **Evaluation of Ku-ring-gai Council's options**

In April 2015 a report was presented to Council with the following findings and results:

- Results of discussions held with surrounding Councils on potential amalgamations and research prepared into the impacts of amalgamations;
- The outcomes of a facilitated meeting held between Ku-ring-gai Council and Hornsby Shire Council to discuss a potential amalgamation. Those outcomes included a number of unresolved issues with significant negative implications for Ku-ring-gai residents;
- An assessment of Council's ability to meet or exceed the Fit for the Future Scale and Capacity criteria;
- A Budget and Long Term Financial Plan to meet all Fit for the Future criteria and benchmarks.

- **Council's response**

Based on the findings and results of its rigorous assessment process, Council decided that an amalgamation with Hornsby Shire Council would be highly unfavourable for the residents and ratepayers of Ku-ring-gai and the stated criterion for scale and strategic capacity were satisfied without the need for structural change.

**On 28 April 2015 Council unanimously resolved as follows:**

*A. That Council advise Hornsby Shire Council that a merger would be highly unfavourable for the residents and ratepayers of Ku-ring-gai and will not be further considered.*

*B. That the Mayor write to Hornsby Shire Council thanking the Councillors and staff for their interest in pursuing a merger and explaining the reasons for Council's decision.*

*C. That Council prepare an Improvement Proposal to meet the requirements of Fit for the Future.*

*D. That Council delegate the General Manager to conduct consultation as required to inform the community and seek feedback regarding Council's Fit for the Future improvement proposal, prior to reporting back to Council seeking endorsement and approval to submit to the NSW Government. This consultation will include a range of methods including those outlined in the report, an online survey and community forum.*

### **Community and staff consultation**

Ku-ring-gai Council carried out a range of communication and engagement activities to:

- inform the community about the state government's Fit for the Future (FFTF) proposals and what they may mean for Ku-ring-gai;
- consult with the community to gauge opinions about the proposals, particularly in relation to the proposed amalgamation of Ku-ring-gai with Hornsby Shire Council; and
- inform the staff about the state government's Fit for the Future (FFTF) proposals and what they may mean for staff.

The outcomes of the community consultation and engagement consistently indicated a preference for Ku-ring-gai to remain a stand-alone council and does not support the ILGRP's recommendation to amalgamate Ku-ring-gai Council with Hornsby Shire Council. Community feedback obtained during the two month period of consultation on Council's Improvement Proposal supported Council's adopted position taken on 28 April to remain a stand-alone council. Details of the process and outcomes of the community consultation can be found at **Appendix H**.



### **Council's confirmation of its adopted position**

In June 2015 Ku-ring-gai Council considered the results of community consultation and engagement on its adopted position and a draft Improvement Proposal for adoption by Council under the State Government Fit for the Future program. Council confirmed its previously adopted position, that:

- An amalgamation with Hornsby Shire Council would be highly unfavourable for the residents and ratepayers of Ku-ring-gai Council due to the impact on representation, rates, service levels, risk and communities of interest
- Council meets all Fit for the Future benchmarks
- Community consultation and engagement results indicate that Ku-ring-gai residents are not in favour of an amalgamation with Hornsby Shire Council, rather that residents support Ku-ring-gai Council standing alone.
  
- **Council's response**

#### **On 23 June 2015 Council unanimously resolved as follows:**

- A. That Council endorse the draft Council Improvement Proposal attached to this report for submission to IPART under the State Government Fit for the Future program.*
- B. That Council delegate to the General Manager the authority to make changes as required to the content and formatting of the Improvement Proposal prior to submission by 30 June 2015.*
- C. That Council encourage the Ku-ring-gai community to read the Improvement Proposal supporting Council's position as a stand-alone Council and provide feedback to IPART during the exhibition period*
- D. That Council undertake further communication with the community outlining Council's position in the period leading up to the State Government's decision in October.*
- E. That a copy of the report and the attachments be sent to the local State Members and ask if they wish to attend a briefing on the matter by Council Staff.*

**Appendix B – Review of Council's Infrastructure Backlog and Asset Data by Morrison Low –  
May 2015 (attached)**

### Appendix C – Risks to Ku-ring-gai Council

|                               |  |
|-------------------------------|--|
| Rates                         | <ul style="list-style-type: none"> <li>• Due to the higher land values in Ku-ring-gai, an amalgamation would result in significantly increased rates in the former Ku-ring-gai area and a reduction in the former Hornsby Shire area.</li> <li>• Hornsby Shire residents pay a greater percentage of property wealth in rates and therefore have less capacity to increase in the future if required. Any future additional rates income would be drawn disproportionately from the former Ku-ring-gai area due to higher land values.</li> <li>• There would be greater volatility in rates (eg between different suburbs) in future years when land revaluations occur.</li> <li>• Rural areas cover 60% of the rateable area of Hornsby Shire while only 1% of the total rates revenue is derived from farmland. Any cross subsidy of the rural areas would be shared with Ku-ring-gai ratepayers after an amalgamation.</li> <li>• The rating issues identified throughout this section are not feasibly able to be solved. Neither the Local Government Review Panel nor the State Government have proposed any changes to the Local Government Act that could reduce the impacts.</li> </ul> |
| Hornsby Quarry                | <ul style="list-style-type: none"> <li>• The latest scheme to remediate the Hornsby Quarry is to obtain fill from the NorthConnex project to part fill the Quarry (approximately one quarter) at an estimated cost of \$22 million of which Hornsby Council's share is \$7.33 million. In addition, there are estimated costs of \$15 to \$20 million for quarry stabilisation and landform, and \$10 million for recreational facilities. Hornsby Council have advised that all amounts are fully funded.</li> <li>• As the estimated costs are at a concept level and detailed investigations have not yet commenced, there is uncertainty from Ku-ring-gai Council's perspective as to the reliability of these current estimates. The potential liability associated with the Hornsby Quarry is significant in the context of any proposal to amalgamate.</li> </ul>   |
| Overall Financial Health      | <ul style="list-style-type: none"> <li>• Hornsby Shire Council has lower working capital and reserves than Ku-ring-gai. Hornsby reports a lower infrastructure backlog than Ku-ring-gai, however its ongoing asset maintenance and renewal indicators are inferior.</li> <li>• Hornsby Shire Council's overall financial position is weaker than that of Ku-ring-gai, a key consideration for an amalgamation. T-Corp assessed Ku-ring-gai as being "Sound" with a "Neutral" outlook, while Hornsby was given the lower rating of "Moderate" with a "Neutral" outlook.</li> <li>• Hornsby Shire does not need to amalgamate with Ku-ring-gai to be fit for the future. It is a large council with an independent assessment from T-Corp as being Moderate. Hornsby Shire has advised that they are revising their Long Term Financial Plan to meet the Fit for the Future criteria.</li> </ul>   |
| Cost savings and efficiencies | <ul style="list-style-type: none"> <li>• An amalgamated council would result in a larger bureaucracy and there are differing views about whether amalgamations lead to cost savings and greater efficiency. Academic studies indicate that predicted savings from amalgamations are optimistic and do not eventuate.</li> <li>• Nine of the biggest Councils in NSW run large operating deficits. These councils have an average population of 207,000 and an average operating deficit of \$8.7 million. By contrast, both Ku-ring-gai Council and Hornsby Shire Council run healthy operating surpluses.</li> </ul>  |
| Communities of                | <ul style="list-style-type: none"> <li>• Hornsby Shire has a larger population than Ku-ring-gai that is more widely</li> </ul>   |

|                                   |   |
|-----------------------------------|---|
| Interest and Community Facilities | dispersed over an area more than five times the size. The amalgamated council would be some 65 km in distance from the north to the south. The provision of services and facilities would be challenging, with likely conflict about the allocation of resources, service levels and cross subsidisation between different areas. An amalgamation of Ku-ring-gai with the much larger area of Hornsby Shire would diminish current communities of interest and societal connectedness.  |
| Representation                    | <ul style="list-style-type: none"> <li>• There would be an overall reduction in representation with the number of residents per councillor increasing from 11,903 currently for Ku-ring-gai to a minimum of 19,058 in the amalgamated council.</li> <li>• An amalgamation is likely to result in 6 councillors elected from the former Ku-ring-gai area and 9 councillors from the former Hornsby Shire area.</li> </ul>  |
| Environmental Issues              | <ul style="list-style-type: none"> <li>• Ku-ring-gai and Hornsby have similar bushland environments, although Hornsby controls a much greater area. There is a concern that a large increase in the amount of overall bushland area managed could see a reduction in the service level for bushland management currently experienced in Ku-ring-gai.</li> <li>• Ku-ring-gai Council has a special rates levy for the environment, the continuation of which after an amalgamation would require the support of the newly elected council. If it was not continued there would be an impact on both the environment and the community engagement due to the programs and funding it provides.</li> </ul>   |
| Service levels                    | <ul style="list-style-type: none"> <li>• Ku-ring-gai Council has higher revenue per capita than Hornsby Shire, with greater capacity to provide services. An amalgamation would require the equalisation of services, resulting in either a reduction of services for the former Ku-ring-gai area or increased rates to raise the Hornsby Shire service levels.</li> <li>• The rates would need to increase in the former Ku-ring-gai area by between 18% and 35% to raise the same revenue per capita across the whole of the amalgamated council area as currently enjoyed by Ku-ring-gai.</li> <li>• There is potential for loss of service efficiency and increased costs from providing services across a much larger area with dispersed population.</li> </ul> |
| Planning Development              | <ul style="list-style-type: none"> <li>• An amalgamation may result in disproportionately increased development in the former Ku-ring-gai area, negatively impacting on the existing residential character, landscape and heritage values.</li> <li>• Decisions about future development would be made by the amalgamated council, with minority representation from councillors elected from the former Ku-ring-gai area.</li> <li>• There is a risk that s.94 developer contributions collected in the former Ku-ring-gai area may be spent in the former Hornsby Shire area.</li> </ul>  |
| Workforce & Transformation costs  | <ul style="list-style-type: none"> <li>• Transitioning to an amalgamated council would take many years and be very costly. Based on the Queensland experience, it is expected that the costs would far exceed the funds being offered by the state government.</li> <li>• During the transition, there would be disruption to service provision, loss of key staff, organisational knowledge and skills.</li> <li>• In comparison with Ku-Ring-Gai Council Hornsby Shire Council has - higher</li> </ul>  |

|            |  |
|------------|--|
|            | total cost per employee, higher employee liabilities, higher labour costs as a percentage of total operational budget  |
| IT Systems | <ul style="list-style-type: none"><li>• High up front cost to amalgamate core business systems (\$2.9m+). This represents licence and consulting costs based on a scenario where current Ku-ring-gai systems are retained. Does not include internal staff working on the amalgamation project</li><li>• Lengthy and disruptive amalgamation process (3-5 years)</li><li>• Depending on which systems are retained one Council would have to change 5 out of 7 core systems</li><li>• Potential high cost to opt out of existing system contracts (Council's Online for Hornsby Shire)</li><li>• Loss of investment in existing software licences for systems that are replaced</li><li>• Loss of skills and experience with current systems</li></ul> |

### Appendix D – Ku-ring-gai Council's awards

- 2015 Australasian Reporting Awards. Gold Award – **Australasian Reporting Awards** for “Annual Report 2013-2014”.
- 2015 Parks and Leisure Australia Awards **NSW Award** for the St Ives Medieval Faire.
- March 2015 - NSW Revenue Professionals **David Ellis Award**. Winner of the David Ellis Outstanding Achievement Award is Robert Hay in recognition of his contribution in setting up the new Revenue Professionals website. The website is used by members as an information source on all matters regarding revenue and rating management in Local Government.
- 2014 **Ministers Awards for Women in Local Government** (outstanding contributions and achievements of women in local government in NSW, Council's Director Community Services Janice Bevan received the LG NSW Women in Local Government Award in 2013 and Councillor Elaine Malicki received a high commendation in the same award.
- 2014 Joint Winner **A R Bluett Memorial Award**, City Division.
- Planning Institute Australian (NSW Divisions) **2014 Planning Excellence Awards** - Commendation for Ku-ring-gai Open Space Acquisition Strategy.
- 2014 Australasian Reporting Awards. Silver Award – **Australasian Reporting Awards** for “Annual Report 2012-2013”.
- 2014 Parks and Leisure Australia Awards NSW **Open Space Planning (Strategic Planning for Open Space)** Open Space Acquisition Strategy
- 2014 Parks and Leisure Australia Awards NSW Open Space Development (Design and Management) Award for Greengate Park.
- 2013 **AILA NSW Excellence in Landscape Architecture (Planning Category)** for Ku-ring-gai Open Space Acquisition programme.
- 2013 **AILA NSW Excellence in Landscape Architecture (Research and Communication category)** for “Thinking Outside the Box: Key Design Elements for Apartments in Ku-ring-gai”.
- 2013 Local Government Excellence in the Environment **Climate Action Award** for Climate Wise Communities program.
- 2013 Australasian Reporting Awards. Bronze Award – **Australasian Reporting Awards** for “Annual Report 2011-2012”.
- Planning Institute Australian (NSW Divisions) **2012 Planning Excellence Awards** - Commendation for Public Engagement and Community planning category for Community Consultation to inform preparation of Ku-ring-gai local centres LEP.

- United Nations Association of Australia 2012, **World Environment Day Awards**, Finalist: Local Government Award: Excellence in Overall Environmental Management “Climate Change Adaptation Model”.
- Macquarie University **Excellence in Research Awards 2011**, Excellence in research in sustainability Highly Commended: “Promoting sustainability in local governments: a tool for climate adaptation decision making”.
- Keep Australia Beautiful NSW **Sustainable Cities Awards 2011**, Water Conservation Award Winner: “Leachate Recovery and Re-Use from St Ives Vegetation Landfill Site”.
- Sustainability Green Globe Awards 2011, **Climate Change leadership**, Finalist: “Outstanding leadership in the field of climate change mitigation and adaptation in NSW”.
- 2010 **LGSA Excellence in the Environment Awards** Winner Division C - Climate Change Mitigation and Adaptation Award for ‘climate change adaptation decision making’.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2009-2010**, Biodiversity Protection & Enhancement, Commend C Division: “Managing our urban biodiversity - if only it was simple”.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2009-2010**, Environmental Protection & Restoration, Commend C Division: “Greenweb - Integrated mapping of lands of strategic and biodiversity significance”.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2009-2010**, Energy Saving and Climate Change Adaptation / Mitigation Award Winner: “Changing priorities – climate change adaptation in a bean counters world”
- NSW Stormwater Industry Association Awards 2009 **Excellence in Stormwater Harvesting Award**, Finalist: “Ku-ring-gai Council Stormwater Harvesting Program”.
- 2009 Australasian Reporting Awards. Bronze Award – **Australasian Reporting Awards** for “Annual Report 2007-2008”.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2008-2009**, Biodiversity Protection & Enhancement Award, Commended “Managing our urban biodiversity – if only it was simply”. For the provision to increase capacity for council to manage bushland areas, urban interface and urban biodiversity within the ecological, political, economic and social systems that govern our actions.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2008-2009**, Biodiversity Protection & Restoration Award, Commended “Greenweb – Integrated mapping of lands of strategic and biodiversity significance”. For data consolidation and mapping for the protection of lands that hold strategic biodiversity significance.

- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2008-2009**, Communication, Education & Empowerment Award, Commended "English at the Garden". The introduction of Ku-ring-gai's bushland, flora, fauna and environmental sustainability in homes and gardens to local people from culturally and linguistically diverse background.
- **NSW Sustainable Water Challenge for 2008**. Planning and Policy Category, Winner "Integrated Water Cycle Management". For a policy and strategy that involved extensive research to guide its development.
- **NSW Sustainable Water Challenge for 2008**. Retrofit Category Highly Commended "Retrofit of Stormwater harvesting Systems for Sports Field Irrigation". For Council's implementation of stormwater harvesting projects using the existing stormwater system to provide fit-for-use irrigation of sporting fields.
- **NSW Sustainable Water Challenge for 2008**. Research Projects Category Winner "Assessment of Bioretention Filter Media Effectiveness, Karuah Road". For a project investigating which filter media produces the best improvements in water quality.
- **NSW Sustainable Water Challenge for 2008**. Landscaping Category, Highly Commended "Karuah Road Upgrade". For integrating the water sensitive urban design features (rain gardens) in the road landscaping upgrade of Karuah Road.
- **NSW Sustainable Water Challenge for 2008**. Community Engagement Category, Commended "Gordon West Public School WSUD". For involving Gordon West Public School community in education of constructing a biofilter at Kiparra Road.
- **NSW DECC Sustainability Green Globe Awards 2008**. Government Award: Environmental Sustainability Achievement "Outstanding Achievement in Environmental Sustainability in NSW". "The Ku-ring-gai to Global Sustainability Strategy". For the development of a community sustainability strategy based on extensive community consultation to assist Council in guiding the community to a sustainable future.
- **Keep Australia Beautiful Council NSW. Sustainable Cities Awards 2008** Overall Sustainable Council Award, Highly Commended "The Ku-ring-gai to Global Sustainability Strategy". For the development of a community sustainability strategy based on extensive community consultation to assist Council in guiding the community to a sustainable future.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2007-2008**, Stormwater and Urban Waterways Award, Overall Winner "Ku-ring-gai Catchment Remediation Program". Improving the overall catchment water quality through integrated water cycle management in the urban environment.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2007-2008**, Stormwater and Urban Waterways Award, Winner - Division C, "Ku-ring-gai Catchment Remediation Program". Improving the overall catchment water quality through integrated water cycle management in the urban environment.



- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2007-2008**, Environmental Education Award, Commended - Division C "Pool to Pond". For an innovative approach in improving urban wildlife while reducing the resource dependence of backyard pools.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2007-2008**, Climate Change Adaptation and Mitigation Award, Commended - Division C "Development of a Cost Benefit Model for Climate Change Adaptation and Mitigation at the Local Scale". For a project to assist decision-makers in local governments confidently plan for Climate Change.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2007-2008**, Natural Resource Management Integration Award, Commended - Division C "Integrating Sustainability into Management Processes and Outcomes". For applying the QBL framework for translating ordinary staff duties to the global context of sustainability reporting.
- Local Government and Shires Association of NSW **Excellence in the Environment Awards 2007-2008**, Local Sustainability Award, Commended - Division C "The Ku-ring-gai to Global Sustainability Strategy". For the development of a community sustainability strategy based on extensive community consultation to assist Council in guiding the community to a sustainable future.

## Appendix E – Morrison Low Fit for the Future Facilitation Report



### Fit for the Future Facilitation – Hornsby and Ku-ring-gai

## 1 Final Report

### 1.1 Facilitation Process

- a) The facilitation process was extended beyond the facilitation brief to accommodate key staff absences

- b) Workshop with Hornsby Shire Council

Morrison Low met with the Hornsby Shire Council and the Executive on 4 March 2015. Hornsby have commissioned a number of 'due diligence' reports on the options and implications of a merger for Council.

There is positive support from the elected members for a merger with Ku-ring-gai as proposed or another LGA. Council is of the view that mergers lead to improved local government.

The key issues for Hornsby that a merger proposal would need to address are:

- The impact on rates
- The representation model
- The infrastructure gap

The Council sees merit in moving to a business case in order to provide a better evidence base for later decision making.

- c) Workshop with Ku-ring-gai Council

Morrison Low met with the Ku-ring-gai Council and Executive Team on 30 March 2015. Ku-ring-gai have conducted their own investigations into a merger and elected members and staff developed informed views on the costs and benefits of a merger.

While Ku-ring-gai is happy to discuss merger options they are unconvinced that a merger option is in the best interests of Ku-ring-gai residents.

The key issues for Ku-ring-gai that a merger proposal would need to address are:

- The impact on rates
- Representation and ward structures
- Differences in services/service levels
- Legacy issues with the Hornsby Quarry
- Urban planning and development issues

- d) Joint Workshop

The joint meeting was held on Tuesday 7 April 2015 and attended by nominated representatives from each Council.

Both Councils had different views on their own ability to be Fit for the Future. A number of potential benefits of a merger were identified, however, there were



differing views on if these benefits were only available through a merger or if they could be achieved by the Councils as standalone organisations.

The key issues/barriers to a joint merger proposal were:

- The impact and distribution when merging rates – inequities unlikely to be resolved in merger without government intervention
- Representation and ward structure – difficult to resolve under current options
- Hornsby Quarry – issues quantified by Hornsby and Hornsby offered separate briefing to Ku-ring-gai councillors
- Ku-ring-gai advised they had developed a strategy to address their infrastructure backlog within two years
- Both councils had different focuses for planning and development. These local priorities are likely to be able to be retained under a merger. Unresolved concerns from Ku-ring-gai about control over future decision making regarding planning and development
- Differences in services/levels and community of interest can be addressed as part of a merger investigation

## 1.2 Outcomes

Both Councils agreed to discuss the merger at their respective Councils and resolve their positions. Hornsby will be briefing all their Councillors about the proposed merger case in the third week of April and, depending on Ku-ring-gai's decision, will consider the matter formally at its 13 May 2015 General Meeting. Ku-ring-gai will formally consider the matter at its Meeting on 28 April 2015.

This message was informally conveyed to the Office of Local Government on 9<sup>th</sup> of April 2015.



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**Appendix F – Improvement Action Plan (attached)**

**Appendix G – Extract of Hornsby Shire Council’s LEP 2013 and Ku-ring-gai Council’s LEP 2015****Extract - Hornsby LEP 2013****Aims of Plan**

- (1) *This Plan aims to make local environmental planning provisions for land in Hornsby in accordance with the relevant standard environmental planning instrument under section 33A of the Act.*
- (2) *The particular aims of this Plan are as follows:*
- (a) *to facilitate development that creates:*
- (i) *progressive town centres, thriving rural areas and abundant recreation spaces connected by efficient infrastructure and transport systems, and*
  - (ii) *a well-planned area with managed growth to provide for the needs of future generations and people enriched by diversity of cultures, the beauty of the environment and a strong economy,*
- (b) *to guide the orderly and sustainable development of Hornsby, balancing its economic, environmental and social needs,*
- (c) *to permit a mix of housing types that provide for the future housing needs of the community near employment centres, transport nodes and services,*
- (d) *to permit business and industrial development that meets the needs of the community near housing, transport and services, and is consistent with and reinforces the role of centres within the subregional commercial centres hierarchy,*
- (e) *to maintain and protect rural activities, resource lands, rural landscapes and biodiversity values of rural areas,*
- (f) *to provide a range of quality passive and active recreational areas and facilities that meet the leisure needs of both the local and regional community,*
- (g) *to facilitate the equitable provision of community services and cultural opportunities to promote the well being of the population of Hornsby,*
- (h) *to protect and enhance the scenic and biodiversity values of environmentally sensitive land, including bushland, river settlements, river catchments, wetlands and waterways,*
- (i) *to protect and enhance the heritage of Hornsby, including places of historic, aesthetic, architectural, natural, cultural and Aboriginal significance,*
- (j) *to minimise risk to the community in areas subject to environmental hazards, including flooding and bush fires.*

**Extract - Ku-ring-gai LEP 2015****Aims of Plan**

(1) *This Plan aims to make local environmental planning provisions for land in Ku-ring-gai in accordance with the relevant standard environmental planning instrument under section 33A of the Act.*

(2) *The particular aims of this Plan are as follows:*

(a) *to guide the future development of land and the management of environmental, social, economic, heritage and cultural resources within Ku-ring-gai,*

(b) *to protect, enhance and sustainably manage the biodiversity, natural ecosystems, scenic values, water resources and ecological processes within the catchments of Ku-ring-gai for the benefit of current and future generations,*

(c) *to maintain and improve water quality within the catchments of Ku-ring-gai,*

(d) *to facilitate adaptation to climate change,*

(e) *to manage risks to the community and the environment in areas subject to natural hazards and risks,*

(f) *to recognize, protect and conserve Ku-ring-gai's indigenous and non-indigenous cultural heritage,*

(g) *to ensure that development does not conflict with the hierarchy of commercial centres in Ku-ring-gai,*

(h) *to encourage a diversity of employment within Ku-ring-gai,*

(i) *to encourage a variety of housing types within Ku-ring-gai,*

(j) *to achieve land use relationships that promote the efficient use of infrastructure,*

(k) *to facilitate good management of public assets and promote opportunities for social, cultural and community activities,*

(l) *to facilitate development that complements and enhances amenity for residential uses and public spaces.*

**Appendix H – Communication and Engagement Activities (attached)**

## Appendix I – Impact on Residential Rates

| <b>Impact on Residential Rates in a merged Council (Ku-ring-gai - Hornsby)</b>  |   |                               |                   |
|---|---|-------------------------------|-------------------|
| <b>Residential Rates Structure Analysis</b>   |   |                               |                   |
| <b>Ku-ring-gai</b>  | Res Land Value                          | \$                            | 23,352,018,270.00 |
|   | Res Rates                               | \$                            | 54,008,379.79     |
|   | Current Rate in \$                      | Average Rates /\$1 land value | \$ 0.002313       |
| <b>Hornsby</b>  | Res Land Value                          | \$                            | 20,742,322,142.00 |
|   | Res Rates                               | \$                            | 64,826,098.93     |
|   | Current Rate in \$                      | Average Rates /\$1 land value | \$ 0.003125       |
| <b>Scenario 1</b><br><b>Combined Structure</b><br><b>Ad Valorem</b><br><b>\$0 Base Amount</b>   | Total Combined Res Land Value           | \$                            | 44,094,340,412.00 |
|   | Total Combined Res Rates Income         | \$                            | 118,834,478.72    |
|   | Average Rates /\$1 land value           | \$                            | 0.002695          |
|   | Ku-ring-gai Res Rates under combined    |                               |                   |
|   | Ku-ring-gai Res Land Value              | \$                            | 23,352,018,270.00 |
|   | Ku-ring-gai Res Rates Payable           | \$                            | 62,933,811.74     |
|   | <b>% Increase</b>                       |                               | <b>17%</b>        |
|   | Hornsby Res Rates under combined        |                               |                   |
|   | Hornsby Res Land Value                  | \$                            | 20,742,322,142.00 |
|   | Hornsby Res Rates Payable               | \$                            | 55,900,666.98     |
| <b>% Decrease</b>   |   | <b>-14%</b>                   |                   |
| <b>Scenario 2</b><br><b>Combined Structure</b><br><b>Ad Valorem</b><br><b>50% Base Amount</b>   | Income From Base Amount                 | \$                            | 59,417,239.36     |
|   | Total Assessments Hornsby + Ku-ring-gai |                               | 94,869            |
|   | Base Amount                             | \$                            | 626.31            |
|   | Base Amount Payable Ku-ring-gai         |                               |                   |
|   | Total Assessments - 40,411              | \$                            | 25,309,743.54     |
|   | Base Amount Payable Hornsby             |                               |                   |
|   | Total Assessments – 54,548              | \$                            | 34,107,495.82     |
|   |   | \$                            | 59,417,239.36     |
|   | Ad Valorem Rate in \$                   | \$                            | 0.0013475         |
|   | Ad Valorem Payable Ku-ring-gai          | \$                            | 31,466,905.87     |
|   | Ad Valorem Payable Hornsby              | \$                            | 27,950,333.49     |
|   |   | \$                            | 59,417,239.36     |
|   | Total Base + Ad Valorem                 | \$                            | 118,834,478.72    |
|   | Total Payable Ku-ring-gai               | \$                            | 56,776,649.41     |
|   | <b>% Increase</b>                       |                               | <b>5%</b>         |
| Total Payable Hornsby   | \$                                      | 62,057,829.31                 |                   |
| <b>% Decrease</b>   |   | <b>-4%</b>                    |                   |
| Note: Total Residential Income of Individual Council's divided by Total Residential Land Value to allow for Comparison - Data based on Statement of Compliance - Schedule 2 for 2014/15 |   |                               |                   |



## Appendix J – SWOT analysis

| Strengths  | Weaknesses   |
|--|--|
| <p><b>Proven robust revenue base and increased discretionary spending:</b></p> <ul style="list-style-type: none"> <li>• Sound financial performance – Council is currently in a sound financial position and projects sound operating results in future years meeting or beating all financial sustainability ratios</li> <li>• Successful implementation of financial sustainability strategies and LTFP initiatives</li> <li>• Over the next the 10–15 years continued improvements to current sound operating results and key financial indicators through LTFP financial and asset management strategies</li> </ul> <p><b>Proven scope to undertake new functions and major projects:</b></p> <ul style="list-style-type: none"> <li>• Successful delivery of a large and diverse Capital Works Program - \$47million in 2013/14 and \$27.6 in 2014/15</li> <li>• Successful track record in designing, constructing and completing complex Major Projects for the community</li> </ul> <p><b>Proven ability to employ a wider range of skilled staff:</b></p> <ul style="list-style-type: none"> <li>• Council is well placed strategically to attract a wide range of skilled staff</li> <li>• Council is an attractive employer across management and service areas</li> </ul> <p><b>Proven knowledge, creativity and innovation:</b></p> <ul style="list-style-type: none"> <li>• Awards - numerous awards and industry recognition received over recent years for activities, projects and programs across the organisation's responsibilities</li> <li>• Most recent being the 2014 A R Bluett Memorial Award for excellence in local government</li> </ul> <p><b>Proven advanced skills in strategic planning and policy development:</b></p> <ul style="list-style-type: none"> <li>• Best practice policy development across areas – community, environmental, development, LEPs</li> <li>• Adopted best practice Community Strategic Plan and other IP&amp;R documents, including the Resourcing Strategy</li> </ul> <p><b>Proven high quality political and managerial leadership:</b></p> <ul style="list-style-type: none"> <li>• Leadership programs, induction and training in place</li> </ul> | <ul style="list-style-type: none"> <li>• Loss of professional staff due to uncertainty of local government reform</li> <li>• Delay in moving to new office accommodation</li> <li>• Low investment returns due to economic conditions</li> </ul> |

| <p>for elected representatives and staff</p> <ul style="list-style-type: none"> <li>• Senior staff and elected member awarded industry recognition</li> <li>• Council employs a wide range of skilled and qualified staff with transferable skills</li> </ul> <p><b>Proven resources to cope with complex and unexpected change:</b></p> <ul style="list-style-type: none"> <li>• Ku-ring-gai is already a large council with the size, budget and assets to effectively cope with complex and unexpected changes</li> <li>• Contingency funds to deal with disasters and emergencies</li> <li>• Emergency and disaster recovery plans in place</li> </ul>   |  |
|--|--|
| Opportunities  | Threats  |
| <p><b>Proven effective regional collaboration:</b></p> <ul style="list-style-type: none"> <li>• Successful track record in regional collaboration to achieve positive outcomes for both northern Sydney Councils and Ku-ring-gai</li> </ul> <p><b>Proven credibility for more effective advocacy:</b></p> <ul style="list-style-type: none"> <li>• Special Rate Variations for infrastructure assets, recreational areas and environmental initiatives</li> <li>• Acquisition and divestments of lands</li> <li>• Town Centres LEP – consultation and new plan</li> <li>• Development Contributions Plans</li> </ul> <p><b>Proven capable partner for State and Federal agencies:</b></p> <ul style="list-style-type: none"> <li>• Working with TfNSW – Gordon, Lindfield, Killara car parking and transport interchange</li> <li>• B2 land subdivision, redevelopment and divestment</li> <li>• State agency Bio-banking agreement</li> </ul> | <ul style="list-style-type: none"> <li>• Negative outcomes resulting if amalgamated</li> <li>• Council does not agree with the Panel's recommendation for an amalgamation with Hornsby Council</li> <li>• Change in regional programs and procurement due to the uncertainty of future boundaries and councils</li> <li>• Loss of regional advocacy if NSROC changed</li> <li>• Political instability due to media coverage of reforms</li> <li>• Loss of productivity and knowledge if a forced amalgamation proceeds</li> <li>• Destruction of regional relationships particularly neighbouring Councils due to difference of opinion on local government reform</li> <li>• Transformational town centre hub projects delayed or indefinitely deferred to focus on Hornsby Strategic centre</li> </ul> |

