



Marrickville Council

MEMORANDUM OF UNDERSTANDING

Attachment 1

Final Version

MEMORANDUM OF UNDERSTANDING (“MOU”) for the FIT FOR THE FUTURE PROGRAM

Dated 10 December 2014

BETWEEN

ASHFIELD COUNCIL of 260 Liverpool Road Ashfield, New South Wales (“Ashfield”)

AND

BURWOOD COUNCIL of 1-17 Elsie Street, Burwood, New South Wales (“Burwood”)

AND

CITY OF CANADA BAY of 1A Marlborough St Drummoyne, New South Wales (“Canada Bay”)

AND

LEICHHARDT COUNCIL of 7-15 Wetherill Street, Leichhardt, New South Wales (“Leichhardt”)

AND

MARRICKVILLE COUNCIL of 2-14 Fisher Street, Petersham, New South Wales (“Marrickville”)

BACKGROUND

On Wednesday 10 September 2014 the State Government released its response to the final recommendations of the Independent Local Government Review Panel (Revitalising *Local Government* April 2014) and the Local Government Acts Taskforce. In doing so, the State Government also announced funding up to \$1 billion for local government in NSW to assist councils implement the Government supported recommendations.

The NSW Government has packaged their response under the banner of ‘**Fit for the Future**’ (FFF)

For details see <http://www.fitforthefuture.nsw.gov.au/>

The government’s focus is supporting voluntary mergers, including a reduction of the Sydney metropolitan councils from 41 to 18. The government response signals strongly that Sydney Metropolitan Councils, and in particular the inner and eastern councils, will need to address the Panel recommendations for mergers,

citing increased 'scale and capacity' (i.e. size) as key components to ensuring financial sustainability and more effective metropolitan governance.

The current State Government proposal is the creation of a new Sydney-Central Metropolitan Council through the merger of Ashfield ; Burwood; Canada Bay; Leichhardt; Marrickville and Strathfield Councils - resulting in a new inner city council of almost 340,000 people (ABS June 2012).

Apart from the reform funding, the State Government announced it will also:

- Introduce a new streamlined Local Government Act from 2016/17 that cuts red tape and puts Integrated Planning and Reporting as the nucleus of council activities
- Provide a State government borrowing facility for more cost effective council loans
- Introduce a new role for the Auditor General to oversee financial management of councils
- Introduce minimum two-year terms for Mayors
- Introduce greater powers for the community if they want a directly elected Mayor
- Introduce clearer roles for Mayors, Councillors and General Managers
- Provide councils who are deemed 'Fit for the Future' with additional planning powers
- Review of the current rating system providing councils who are deemed 'Fit for the Future' with easier access to Special Rate Variations

All NSW Councils (excluding those in the Far West) have been requested to undertake a self-assessment, then prepare a road map to become 'Fit for the Future' and submit it to the State Government by 30 June 2015.

A series of templates were released on 31 October 2014 to assist Councils in undertaking the self assessment.

The submission, in turn, will be assessed by an independent panel and those councils who are subsequently deemed by the Government as being 'Fit for the Future' will be given access to reform funding, improved State borrowing facilities, reduced red tape and extra planning powers.

The criteria to be applied to the self assessment process are:

1. Financial sustainability
2. Effectively managing infrastructure and delivering services for communities
3. Efficiency – value for money
4. Scale & Capacity – to engage effectively across community, industry and government

Councils must first demonstrate how they meet the scale and capacity criteria, with the Government supporting the Panel's recommendations that in our region, this can only be achieved by merging with our 6 councils (or some similar merger).

The Government expects that council amalgamations will formally commence in October 2015, transitional governance arrangements put in place (i.e. local transition committees comprising the Mayor and 1 councillor from each council plus the General Managers) and mergers completed by September 2016 in time for the next local government elections.

Five of the six Inner West Councils proposed by the State Government for amalgamation have agreed to opening discussion on responding to the Fit for the Future program (note that Strathfield Council is not a signatory to the MOU and has resolved not to make a submission on the Fit for the Future program).

PURPOSE

The purpose of this MOU is to:

- i) Formalise the alliance between the five councils to support and facilitate a robust response to the State Government Fit for the Future Program; or in the event that 1 or more councils choose not to respond to the Program, provide those councils with reliable data on the likely outcomes of the mergers on their communities
- ii) Facilitate opportunities for mutual exchange and collaboration between the councils through:
 - Shared modelling of the merger options to identify the likely social, environmental, financial and governance outcomes on the respective councils and their communities; thereby enabling each council to prepare their business cases
 - Each Council to establish an internal Fit for the Future working party tasked with sharing and collating relevant information between councils
 - An integrated community engagement program to actively inform our communities about the State Government reform agenda and its implications for the respective local government areas
- iii. Thereafter enable respective councils to respond and/or engage further with their communities as best suits their particular circumstances.

DURATION OF MOU

This MOU commences upon execution and will continue until 30 June 2015. Should the need arise for Councils to continue operating under an alliance arrangement following the 30 June 2015 deadline, a new MOU will be developed with new terms of reference.

ROLES, RESPONSIBILITIES OF EACH COUNCIL

The Councils agree to work collaboratively to:

1. Facilitate the shared modelling of the merger options based upon:

- Financial sustainability including identification of the likely merger costs and impact on rates
- Infrastructure and service delivery
- Scale and Capacity
- Effectiveness and efficiency
- Analysis of the social impacts particularly as they relate to representation and communities of interest.

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In turn leading to development of a business case analysis (providing enough information to allow the councils to understand the likely advantages and disadvantages of each option) for :

- Amalgamation of Ashfield, Burwood, Canada Bay, Leichhardt , Marrickville & Strathfield as proposed by the Panel and supported by the State Government
- Alternative amalgamation options eg: with reduced number of councils
- The JO option ie: the SSROC “Council of Mayors” model previously submitted to the State Government – **see attachment**
- Each option compared to the Status Quo (as the baseline) and a view reached as to whether each option performs better, worse or no different to the Government self assessment criteria.

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2. Develop an integrated community education and information program providing consistent messaging across the region, tailored however appropriately to meet the individual circumstances of each of the five councils.

This could, for example, include a shared web platform under the “saveourlocalarea.com” banner.

The Councils will each provide appropriate monetary and in-kind support to assist in the achievement of the above. Wherever possible, Councils agree to utilise modelling already developed by SSROC or other studies conducted in the recent past by Councils or other entities.

SUGGESTED MONETARY CONTRIBUTIONS

1. Shared modelling of the merger options to develop a business case analysis for each council – in the range of \$15,000 to \$20,000 each (i.e. a budget between \$75,000 and \$100,000 in total)
2. An integrated community education and information program – in the range of \$5,000 to \$10,000 each (i.e. \$25,000 to \$50,000 in total)

Contributions from each of the five councils will be finalised upon selection of the successful consultants and payable on formal engagement of the successful consultants.

PROJECT MANAGEMENT

A Steering Committee comprising the General Managers of each of the five councils and their nominated FFF working party member will operate to:

- Develop the requisite Expression of Interest documents, identify a panel of suitably qualified consultants, seek fee submissions from suitably qualified consultants for the shared modelling merger option ; as well as the development and facilitation of an integrated community education and information program.
- Short list, interview, select and approve the respective successful consultants.
- Monitor and evaluate progress of the project plans.
- Approve and monitor the expenditure of funds (Leichhardt Council agrees to manage the monetary contributions of each council in order to issue progress payments when and as approved by the Steering Committee).
- Respond to critical issues management and coordinate any media and publicity demands arising from this council alliance with their respective Mayors.
- Determine suitable secretarial support to manage correspondence amongst Steering Committee members, set and circulate agendas, and take and circulate minutes.

- **TIMING**

1. Seek selective Expressions of Interest submissions from suitably qualified consultants (minimum of 3 for each project) for the shared business case modelling and integrated community engagement program once a decision has been formalised by each Council at their next available Council meeting.
2. Successful consultants appointed by the end of December 2014 (TBC, see point 1 above)
3. Shared business case modelling outcomes to be completed for submission to the Steering Committee by no later than the end of January 2015 (TBC) and thereafter presentation to the Mayors and General Managers by early to mid-February 2015.
4. Community engagement program framework and action plan developed and submitted to the Steering Committee no later than mid-January 2015, presented to the Mayors and General Managers by no later than mid February 2015, with program commencement due no later than the end of February 2015.

Ashfield Council

Cr Lucille McKenna, Mayor

Burwood Council

Cr John Faker, Mayor

City of Canada Bay

Cr Angelo Tsirekas, Mayor

Leichhardt Council

Cr Rochelle Porteous, Mayor

Marrickville Council

Cr Mark Gardiner, Mayor





Marrickville Council

LETTERS SENT TO COUNCILS

Attachment 2

14/4089

16 October 2014

Ms Lara Kirchner,
General Manager
City of Botany Bay Council
141 Coward Street
MASCOT NSW 2020

Dear Lara

FIT FOR THE FUTURE PROGRAM

Council recently considered a further report in relation to the NSW Government's announcement of its Fit for the Future program which requires a submission to Government by 30 June 2015. Council had at its September meeting resolved to open a strategic dialogue around the costs and benefits of an amalgamation between one, some or all of Marrickville, Leichhardt, Ashfield, Burwood, Strathfield and Canada Bay Councils which were recommended for amalgamation in the Independent Local Government Review Panel's final report to Government.

At its October meeting, Council considered a Mayoral Minute seeking a dialogue with Rockdale City and City of Botany Bay Councils. Councillors unanimously supported that recommendation and added Canterbury City and City of Sydney Councils. Marrickville Council has previously noted the Marrickville community's opposition to amalgamation. It has also recognised that both Council and its community would be best placed to express a final view on that issue if they had before them a proper analysis of the relative capacity of any merged entity to meet the Fit for the Future criteria relative to Marrickville on its own.

This invitation provides no commitment that Marrickville will agree to a future amalgamation and seeks no commitment from your council in relation to that issue. In time, with open and honest dialogue, proper analysis of the implications of amalgamation on our financial sustainability, on our capacity to deliver services and to manage infrastructure, as well as on our efficiency, we will be in a better position to make that decision ourselves. We recognise that each of our communities are unique and value the services we individually offer and the social capital we individually build. We also believe they need to be informed when next we talk to them about this matter.

Please let me know whether you are open to future discussions. I look forward to the opportunity of working with you in the future in developing our response to this program. If you would like to discuss this further please call me on 02 9335 2010 or 0401 719 146. I have also sent this letter to the General Managers of Rockdale City, City of Canterbury and City of Sydney Councils.

Yours sincerely

Brian Barrett
General Manager

14/4089

16 October 2014

Ms Meredith Wallace
General Manager
Rockdale City Council
2 Bryant Street
ROCKDALE NSW 2216

Dear Meredith

FIT FOR THE FUTURE PROGRAM

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Yours sincerely

Brian Barrett
General Manager

14/4089

16 October 2014

Mr Jim Montague
General Manager
City of Canterbury Council
137 Beamish Street
CAMPSIE NSW 2194

Dear Jim

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Yours sincerely

Brian Barrett
General Manager

14/4089

16 October 2014

Ms Monica Barone
Chief Executive Officer
City of Sydney Council
PO Box 1591
SYDNEY NSW 2001

Dear Monica

FIT FOR THE FUTURE PROGRAM

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Yours sincerely

Brian Barrett
General Manager





Marrickville Council
**RESPONSES FROM
COUNCILS**

Attachment 3a and 3b



City of Canterbury

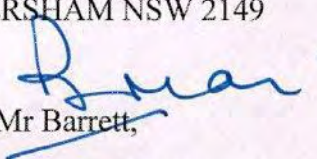
City of Cultural Diversity

Enquiries: Jim Montague
Direct Phone: 9789 9447
Direct Fax: 9718 8202

Our Reference:

Mr Brian Barrett
General Manager
Marrickville Council
PO Box 14
PETERSHAM NSW 2149




Dear Mr Barrett,

Subject: Fit for the Future

Thank you for your correspondence of 16 October, outlining Marrickville's plans to evaluate their options in preparation for a submission to the Fit for the Future Program.

As you may expect, Canterbury is undertaking similar discussions and investigations as we await the release of further information from the Government in the form of the template for the Fit for the Future submissions.

Our Council has met and discussed our possible options as outlined by the Independent Local Government Review Panel – namely a merger with Bankstown City Council or a merger with the St George Councils of Hurstville, Kogarah and Rockdale. I have been authorised to proceed with informal discussions around these two possible options, ahead of a more formal decision by Council in November.

Given Council's current direction, it would be inappropriate for me to meet with councils outside of the scope of the recommendations of the Panel until we have a firm decision from the councils named in the report.

In the meantime, I thank you sincerely for your approach to us in this matter. Please rest assured I will be back in contact with you when I have held discussions with the partners proposed in the report, or when I have a firm decision from Council to commence discussions beyond the recommendations of the Panel.

I hope that we can stay in contact on this matter, and I would be happy to work further with you should the opportunity arise. Please do not hesitate to contact my office directly on 9789 9447.

Yours sincerely


Jim Montague PSM
GENERAL MANAGER

23 October 2014

Canterbury City Council, Administration Centre 137 Beamish Street • PO Box 77 Campsie NSW 2194
When writing to Council please address your letter to the GENERAL MANAGER, MR JIM MONTAGUE
Phone: (02) 9789 9300 Fax: (02) 9789 1542 TTY: (02) 9789 9617 DX 3813 Campsie
email:council@canterbury.nsw.gov.au website:www.canterbury.nsw.gov.au

ABN: 55 150 306 339

Resolution of Council

8 DECEMBER 2014

ITEM 3.6 FIT FOR THE FUTURE

FILE NO: S124002 & S051491

MINUTE BY THE LORD MAYOR

To Council:

The NSW Government has released Fit for the Future, A Blueprint for the Future of Local Government and Fit for the Future, A Roadmap for stronger local Councils, in response to the Independent Local Government Review Panel's report, Revitalising Local Government.

The Roadmap states that a "Fit for the Future" council is one that is:

- Sustainable;
- Efficient;
- Effectively manages infrastructure and delivers services for communities;
- Has the scale and capacity to engage effectively across community, industry and government.

All Councils are required to submit a "Fit for the Future" proposal by 30 June 2015 using one of two templates prepared by the Office of Local Government.

The two templates provide Councils with options:

- Merging with one or more neighbouring Councils (Template 1); or
- Retaining the status quo and implementing a program of improvement (Template 2).

Each Council must determine which template it will complete, by assessing whether their scale and capacity enables them to be "fit for the future".

Where Councils decide to complete Template 1 – Council Merger Proposal, the completed template must be endorsed by all councils who are to be included in the merger. The date of each Council's resolution of endorsement must also be included.

Where Councils decide to complete Template 2 – Council Improvement Proposal (Existing Structure), the completed template must be endorsed by the Council. The date of the Council’s resolution of endorsement must also be included.

The “Fit for the Future” process requires each Council to consult with its community about the approach it intends to take. Any merger proposal would require consultation with the communities in each Council area.

City of Sydney is “Fit for the Future”

The City of Sydney has consistently demonstrated that we are “fit for the future”.

The City’s independent financial auditor, PricewaterhouseCoopers, reported to Councillors at our Corporate, Finance, Properties and Tenders Committee Meeting on 27 October 2014 that the City “*meets or exceeds all measures*” in NSW Government’s “*Fit for the Future*” plan for local government reform. *They said the City’s financial position “can’t get much better than where we are at the moment”.*

The City has the scale, capacity and resources to deliver infrastructure and services needed for the residents, businesses and non-residential populations of our global city.

Through good financial management and long-term planning, delivering debt-free budgets and a capital works program worth nearly \$2 billion over the next decade, we are achieving our community-endorsed vision for a sustainable Sydney.

The City of Sydney is unique in NSW as its capital city council. Sydney’s status is internationally recognised as Australia’s global city, with our local government area as economic driver and symbolic focus of the global city.

We have our own Act, and the Independent Local Government Review Panel and the Local Government Acts Taskforce recommended the City of Sydney Act be retained, providing symbolic support for the City’s significance and practical mechanisms for addressing issues of regional, state and national significance, including the Central Sydney Planning Committee and Central Sydney Traffic and Transport Committee.

The City of Sydney local government area is an economic powerhouse with \$100 billion worth of economic activity—we contribute eight per cent of Australia’s GDP and 22 per cent of the State’s economy. The City has a population of approximately 1.15 million people daily, comprising over 190,000 residents, 440,000 workers and 520,000 visitors. Around 28,500 visitors stay overnight in the city on any given day.

The City delivers high quality services and facilities for the nearly one million daily workers and visitors, including public domain (footpaths, roads, parks, lighting and street furniture) and more frequent cleansing services than required solely for residential populations. It works extensively with the private sector and other levels of government to keep Sydney an attractive, liveable, safe, cosmopolitan global city.

The City has supported global city/State Government projects, committing \$220 million to the NSW Government’s Central and East Sydney Light Rail project and \$440 million to essential facilities and infrastructure in the Green Square Town Centre to enable development and ensure high quality design, in addition to over \$800 million across the wider Green Square urban renewal area. \$37 million has been committed to integrating the Barangaroo development with the CBD through surrounding public domain improvements.

We also have the experience and capacity to work with the NSW Government and community on strategic areas such as the Bays Precinct and Eveleigh to Central, which will play a vital role in the future of our city, and our ability to meet residential and economic targets.

The City of Sydney local government area is one of the fastest-growing residential areas in New South Wales, with over 25,000 new dwellings completed or approved in the past five years. Over the same period, 40 per cent of all jobs growth in metropolitan Sydney has occurred in our area. That's over 50,000 new jobs, a significant number of them in our village areas surrounding the CBD core.

Our Council is effectively addressing the needs of our increasing population densities, including the growing numbers of young families choosing to remain in the inner city, and significant disparities of income, age, education and cultural background.

We've expanded transport options, taken action to protect our environment and address climate change. We've completed street and public domain upgrades, provided more child care, hosted bigger and better events, and constructed beautifully designed community facilities such as pools, libraries, theatres, community centres and playgrounds.

We produce events of national and international significance, such as Sydney New Year's Eve, Art and About and Chinese New Year, while also supporting major public and private events such as Vivid and Mardi Gras. These events contribute significantly to our local economy, attracting tourists from across Australia and internationally.

We have demonstrated our capacity to partner with a range of stakeholders and experts, having established Advisory Panels and Taskforces on Design, Public Art, Retail, Social Sustainability, Live Music, Inclusion and with the Aboriginal and Torres Strait Islander community.

The City actively partners with adjacent Councils on joint projects, makes its research and innovation available to other local government areas, and engages with other councils through the Inner City Mayors forum, the Southern Sydney Regional Organisation of Councils, the Coastal Councils Group and Sydney Metropolitan Mayors.

Last week at the *Sydney Metropolitan Mayors AGM*, I was elected Chair and Councillor Scott Lloyd, Lord Mayor of Parramatta City Council, was elected Deputy Chair for 2015. The City of Sydney will host the Sydney Metropolitan Mayors secretariat this year.

City of Sydney Response

As the City of Sydney is "fit for the future", I propose that Council:

- (a) prepare a response to the State Government using Template 2; and*
- (b) assess any proposals from adjacent Councils that might require consideration of a "Template 1" response.*

- (a) Council Improvement Proposal (Existing Structure) – Template 2*

Our “Template 2” submission must strongly put the case for our city government to have the authority and capacity to identify community needs and aspirations; to set strategic priorities and to develop effective plans to implement them.

Our submission will include the following:

- *As a basic principle, the State must return authority for the City to plan holistically for our area* without areas being excised and transferred to the control of State authorities such as UrbanGrowth NSW, Sydney Harbour Foreshore Authority and Barangaroo Delivery Authority. The City of Sydney and Central Sydney Planning Committee have demonstrated expertise and should have jurisdiction reinstated in order to ensure planning consistency and prevent multiple costly and undemocratic bureaucracies.
- *The City of Sydney has been recently amalgamated and significantly expanded.* Boundary changes in 2003 transferred parts of Leichhardt and South Sydney Councils into the City, followed by a merger between the former City and South Sydney Councils in 2004. The City is projected to grow to a residential population of more than 250,000 people by 2030, in addition to more than one million daily workers and visitors in our local government area.

The amalgamation was enormously disruptive and considerable time and resources were required to align rating systems, contracts, document management systems, asset management systems, planning policies and controls, services and programs and a raft of policies and procedures. We achieved that alignment over four to five years.

- *In 2008, the City adopted Sustainable Sydney 2030, its long-term vision for our area,* developed through extensive research and the most comprehensive consultation in the City’s history, including residents, business communities, workers, visitors, other levels of government, and our arts and cultural institutions.

When we developed Sustainable Sydney 2030, we incorporated the State Government’s Metropolitan Strategy requirements, and are on target for jobs growth and ahead of schedule for population growth.

In line with the State Government’s mandatory integrated planning and reporting framework for NSW Local Government, the City has demonstrated its vision can be delivered through sound strategic and financial planning, as demonstrated in its long-term Community Strategic Plan, 10 year Resourcing Strategy, four year Delivery Program and annual Operational Plan.

(b) *Council Merger Proposal – Template 1*

Some of our neighbouring councils have informally indicated interest in exploring a merger with the City of Sydney. The City will take a responsive and pragmatic approach to any such proposals to assess whether there would be mutual benefit and, in particular, whether any proposed merger would lead to the City of Sydney being more or less “fit for the future”.

We would need to consider whether the costs and disruption associated with any merger proposal would outweigh the benefits. This would include a comprehensive assessment of risks to the City’s capacity to progress our major projects, including the cost and disruption of an amalgamation, as well as the realignment of resources required to respond to the needs of an enlarged area.

I propose to meet with Mayors of neighbouring Councils to discuss their proposals for completing the “Fit for the Future” process. I also propose that the Chief Executive Officer and our staff work collaboratively with the General Managers and staffs of other councils to evaluate any proposals that may emerge from discussions.

I will ask the CEO to keep Councillors informed about any such discussions.

“Fit for the Future” Benchmarks

The State Government requires councils to demonstrate how they will become “Fit for the Future” by using a specific set of benchmarks developed by the Office of Local Government, based on the work of NSW Treasury Corporation and reviewed by IPART.

City of Sydney staff tell me that the benchmarks are flawed and many councils will not be able to demonstrate they are “fit for the future” using the State Government’s criteria, even where they are effective and sustainable organisations.

Firstly, the benchmarks are inconsistent with the financial planning intent of the local government Integrated Planning and Reporting (IPR) framework, which uses a 10 year planning period. In contrast, the “Fit for the Future” templates require councils to demonstrate improved performance by 2019/20 and could provide a distorted view.

Secondly, the benchmarks take a one-size-fits-all approach that does not address the diverse situation of local government in NSW. For example, the Cost of Debt Service ratio assumes that Councils with no debt are not “fit for the future”. This ignores financially strong councils who do not need to borrow and have set aside funds (including developer contributions) for community assets.

A copy of the Sydney Metropolitan Mayors Briefing Note is at Attachment A.

Sydney Metropolitan Mayors last week resolved to prepare a submission to the State Government detailing the flaws in the “Fit for the Future” benchmarks and setting out an alternative approach to benchmarking local government.

The City of Sydney should also express concern to the State Government about the benchmarks and ensure that our submission includes expanded indicators that accurately evaluate our Council’s sustainability, efficiency, effectiveness, scale and capacity.

Community consultation

The NSW Government requires us to consult our communities prior to lodging our submission in June 2015.

It is important we engage with our communities to ensure they understand the “Fit for the Future” process and have the opportunity to contribute to the City’s response. It is also important that any proposal be supported by our communities and, should any merger proposal emerge, that it be supported by the communities in all affected council areas.

I propose that the Chief Executive Officer prepare a program of community engagement prior to June 2015.

RECOMMENDATION

It is resolved that Council:

- (A) affirm that the City of Sydney, on its current boundaries, is “Fit for the Future”;
- (B) request the Lord Mayor meet Mayors of neighbouring councils on their responses to “Fit for the Future” and report back to Council;
- (C) request the Chief Executive Officer to:
 - (i) begin work on the completion of *Template 2: Council Improvement Proposal (Existing Structure)*;
 - (ii) liaise with the General Managers of neighbouring Councils about their responses to the State Government’s “Fit for the Future” proposals; and
 - (iii) prepare an engagement program, including community meetings, to enable Council to engage with our communities on the “Fit for the Future” process; and
- (D) support Sydney Metropolitan Mayors to engage with the State Government to seek improved benchmarks for “Fit for the Future”, including:
 - (i) expressing concern that the benchmarks are inadequate to accurately assess the capacity of Councils in NSW to be “Fit for the Future”; and
 - (ii) supporting preparation of a submission to the State Government detailing the flaws in the benchmarks and setting out an alternative approach.

COUNCILLOR CLOVER MOORE
Lord Mayor

Note – the motion above was not adopted. The motion as follows was adopted:

Moved by the Chair (the Lord Mayor), seconded by Councillor Kemmis –

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- (B) request the Lord Mayor meet Mayors of neighbouring councils about their responses to “Fit for the Future” and report back to Council;
- (C) request the Chief Executive Officer to:
 - (i) begin work on the completion of *Template 2: Council Improvement Proposal (Existing Structure)*;
 - (ii) liaise with the General Managers of neighbouring Councils about their responses to the State Government’s “Fit for the Future” proposals; and
 - (iii) prepare an engagement program, including community meetings, to enable Council to engage with our communities on the “Fit for the Future” process and provide adequate information to Councillors prior to this engagement; and

- (D) support Sydney Metropolitan Mayors to engage with the State Government to seek improved benchmarks for “Fit for the Future”, including:
 - (i) expressing concern that the benchmarks are inadequate to accurately assess the capacity of Councils in NSW to be “Fit for the Future”; and
 - (ii) supporting preparation of a submission to the State Government detailing the flaws in the benchmarks and setting out an alternative approach.

Carried unanimously.





Marrickville Council
**MORRISON LOW
REPORT-INNER WEST
COUNCILS**

Attachment 4



Inner West Councils

Fit for the Future - Shared Modelling

February 2015

TABLE OF CONTENTS

1.	INTRODUCTION.....	1
1.1	Fit for the Future	1
1.2	Shared modelling.....	1
1.3	Tight timeframes.....	2
2.	SCOPE 3	
2.1	Multiple scenarios.....	3
2.2	Reporting.....	4
2.3	Modelling.....	4
3.	SUMMARY OF CONCLUSIONS.....	5
3.1	Status quo	5
3.2	Modified status quo	5
3.3	Inner west council.....	7
4.	DETAILED ANALYSIS	11
4.1	Status quo	11
4.2	Each council optimum.....	17
4.3	Merged council	21
5.	SHARED SERVICES	54
6.	CONCLUSIONS.....	56
6.1	Status quo	56
6.2	Modified status quo	56
6.3	Inner west council.....	58
APPENDIX A	Fit for the Future Benchmarks.....	62
APPENDIX B	Combined Status Quo Assessment against the Fit for the Future Benchmarks..	67
APPENDIX C	Costs and Benefits arising from a Merger of the Inner West – Detailed Assumptions	70
APPENDIX D	High Level Comparison of Services and Service Levels.....	84
APPENDIX E	Capacity.....	91
APPENDIX F	Comparison of the Approach to the Natural and Built Environment of the Inner West Councils	94
APPENDIX G	Comparison of Community Strategic Plans of the Inner West Councils.....	98
APPENDIX H	Detailed Community Profile.....	100
APPENDIX I	Shared Services – Costs and Benefits	128



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Document Status

Approving Director:	D R Bonifant	Date:	February 2015
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1. INTRODUCTION

1.1 Fit for the Future

Three years ago, local councils from throughout NSW gathered for a summit, Destination 2036, to plan how local government could meet the challenges of the future. As a result, councils agreed that change was needed and that they wanted to be strong and sustainable and to make a positive difference in their respective communities. However, there were various views as to how this could be achieved and in April 2012 the State Government appointed an independent expert panel to carry out a review of the sector. That Independent Local Government Review Panel consulted widely in developing its final recommendations which were presented to the Government in late 2013.

The panel concluded that for councils to become strong and sustainable, both the NSW Government and the local government sector would have to play a part. The State indicated its preparedness to change the way it works with councils and to support them through meaningful reform. Local councils must also be prepared to consider new ways of working and new structural arrangements. The Fit for the Future program brings these changes together to lay the foundations for a stronger system of local government and stronger local communities.

The Fit for the Future program requires councils to actively assess their scale and capacity in achieving long term sustainability and for councils to submit proposals to the Government indicating how they will achieve these objectives.

The councils of Ashfield, Burwood, City of Canada Bay, Leichhardt and Marrickville have approached Morrison Low to undertake shared modelling across a broad range of factors (financial, social, environmental) in order for each council to understand the implications of local government reform in the inner west of Sydney's metropolitan area. Although not a participant in the exercise, data for Strathfield Council has been included where possible from publicly available sources.

The government has a position based on the independent review panel recommendation for a merger of the six inner west councils. As has become clear to each of the councils affected by this recommendation, there is little information about the benefits and dis-benefits of the proposed merger nor any ready information about whether and why a large scale merger is the best option.

1.2 Shared modelling

The modelling is prepared on the basis of the information publicly available and augmented by the councils. The exception to this is the data in relation to Strathfield which is comprised only of that information that is publicly available. The modelling is provided identically to all of the councils in the project.

Where the data is inconsistent or unclear it has not been included and will be recorded as either 'no data' or 'no result'.

1.2.1 Providing information to enable councils to individually make their decisions

The modelling is intended to allow the councils to individually and collectively understand what the benefits and dis-benefits of the merger of the inner west councils and a series of other options might be. It has involved analysing historic, current and forecast performance as well as drawing in information from other jurisdictions in which we have been involved in local government reform (for example, transitional costs).

The project is not intended to advise each council of the best option for them (although it may naturally fall out of the modelling) or to form the framework of any submission for Fit for the Future. The project simply provides the information that will enable each council to determine its individual course of action, undertake informed consultation with its community, and ultimately form the basis of the council's submission.

1.3 Tight timeframes

The timeframes for this project have been challenging but we appreciate that the work has been required in haste to allow plenty of time for each council to work through issues with the community or potential merger partners and prepare submissions for 30 June 2015.

Notwithstanding that we fully understand the need for those tight timeframes, that understanding is tempered with a recognition that the data available for modelling has some limitations as a result. The standardisation of the data across the five councils has been conducted on a best efforts basis under those particular timing constraints.

The data provided within the model is drawn from a variety of sources (including the councils directly) however it is acknowledged that the timeframe limits our capacity to refine both the available data and the model itself to a fine level of detail. For consistency across the group of councils publicly available information has formed the basis of the analysis. This has been refined and modified through discussions and workshops with the councils, except in the case of Strathfield where their non-participation means that only publically available information was used.

Notwithstanding these constraints, we have had great support from the staff of each council, providing almost immediate responses to our requests for information and active and knowledgeable participation in the workshops. We thank the executives and staff of the councils for their input and cooperation.

2. SCOPE

2.1 Multiple scenarios

The shared modelling project was undertaken on the basis of evaluating the following options.

1. Status Quo

The baseline is measured against what each council has reported the current and future financial position to be. The analysis is based on the published Financial Statements and Long Term Financial Plans of the councils. Two of the councils, Ashfield and Marrickville each have an intention to submit an application for a Special Rate Variation. Where relevant the Special Rate Variation scenario has also been recognised and highlighted.

2. Modified Status Quo

This scenario answers the question as to what each council would need to do to meet the Fit for the Future benchmarks. It does not address the question of scale and capacity and concentrates on the seven government benchmarks.

The scenario is built up by separately considering the operating result, asset renewal, asset maintenance, and the infrastructure backlog. It identifies what, if any, funding gap exists but it does not identify how the gap is to be resolved as that is a question for each individual council. In some cases this has required a standardised approach to be used to provide comparability. We acknowledge the work each council has done to understand its assets and community priorities and our analysis and assessment should be understood as applying to the context

3. Inner West Council

The Independent Review Panel recommended a merger of Ashfield, Burwood, City of Canada Bay, Leichhardt, Marrickville and Strathfield Councils. The government has asked each council in NSW to respond to Fit for the Future by using the Panel recommendation as a starting point.

This scenario therefore models a merger of the six inner west councils and assesses the advantages and disadvantages of this against a series of criteria. The agreed criteria include financial and non-financial indicators and go beyond the government's Fit for the Future benchmarks to incorporate communities of interest and the alignment between the council organisations.

4. Other Potential Mergers

Other possible merger combinations were dealt with by providing the councils with a working model that allows each to individually assess the cost, benefits and implications of a merger of any combination of the inner west councils.

5. Shared Services

Under this scenario a theoretical design for shared services based on the concept originally developed by SSROC was developed. That concept was refined based on our experience and using other examples of successful shared services models operating elsewhere.

The scenarios assess the advantages and disadvantages of this approach including the financial costs and benefits.

2.2 Reporting

This report is intended to provide a collective body of information that each council will then use to determine what is in the best interests of the council and community. As such it does not seek to recommend any one option over another option for a particular council.

The report compares options and highlights advantages and dis-advantages. The relative weighting that each council then applies will be a matter for each individual council.

A report has been prepared for each council using the same information. The differences arise in the form of presenting the information. For example, section 4.1 of the report sets out the assessment of the status quo against the Fit for the Future benchmarks. This section of each report presents the relevant council results in the body of the report. The results of all councils are set out in the Appendix. We believe that this ensures that all councils receive the same information but tailored to that which is of most relevance to them.

2.3 Modelling

During the project we have built a model that enables the comparison of a range of both qualitative and quantitative variables across a set of standard indicators (which were agreed) including key data from each council about their assets, financial sustainability, community profile and services/service levels.

A working copy of the model has been provided to each of the councils and it has the functionality to enable each individual council to compare the full range of scenarios to the status quo, understand what drives the assessment and drill down into the comparison. This will be particularly valuable for assessing the multiple combinations identified in the quotation request based on what is important to each council.

This report and the associated modelling is intended to provide the capability to compare and assess the variety of options. The report is not intended to provide any recommendation or recommendations for any council or councils to select.

3. SUMMARY OF CONCLUSIONS

Fit for the Future requires councils to consider a small group of indicators that focus on assets and financial sustainability. It also requires councils to consider the merits of potential mergers through the same series of asset and financially focussed indicators. The councils of the inner west have quite rightly in our view looked at a wider series of indicators including the impact on representation and rates in order to understand what option provides the best outcome for their communities.

When considering such a wide range of information each council and community will, again quite rightly in our view, determine the relative weight that should be apportioned to each piece of information or indicator. This report does not reach an overall view as to whether an option or options provides the best outcome for any of the councils.

3.1 Status quo

The government has made it clear that the starting point for every council is scale and capacity. The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west councils. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

The table below provides a summary of the Council's performance against the benchmarks.

Table 1 Marrickville Council (status quo) performance against Fit for the Future benchmarks

Indicator	Modelling Outcome (without SRV)	Modelling Outcome (with SRV)
Operating Performance	Meets the benchmark in 2018	Meets the benchmark in 2017
Own Source Revenue	Already exceeds benchmark	Already exceeds benchmark
Debt Service Cover	Already exceeds benchmark	Already exceeds benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark
Asset Renewal	Doesn't meet benchmark	Meets benchmark by 2022
Infrastructure Backlog	Doesn't meet benchmark	Doesn't meet benchmark
Real Operating Expenditure	Meets the benchmark	Meets the benchmark

3.2 Modified status quo

In order to meet the Fit for the Future benchmarks each of the councils requires an increase in revenue and/or a decrease in costs to address both an operating deficit (as judged against the Operating Performance Ratio criteria) and short and longer term infrastructure issues.

Some of the councils have begun this process through Special Rate Variations (Burwood – approved, Ashfield and Marrickville intended) while others have undertaken internal programs of efficiency review. The City of Canada Bay involved a Citizen Panel process to review levels of service to identify savings opportunities and revenue raising opportunities. In all cases the

funding gap identified in this report is not considered to be so large that it cannot be addressed by the councils through a combination of increased revenue and reduced costs. The table below identifies the extent of the funding gap to address the infrastructure benchmarks of asset maintenance ratio, renewal ratio and bringing the infrastructure backlog to the benchmark of 2% within five years. After that the funding gap diminishes for each council.

Table 2 Summary of infrastructure funding gap

Council ¹	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Ashfield	\$2,625	\$1,960
Burwood	\$3,511	-\$64
City of Canada Bay	\$3,129	\$1,252
Leichhardt	\$5,053	\$2,751
Marrickville	\$8,439	\$4,921
Strathfield	\$1,762	\$1,393

The table below identifies the average annual gap between operating revenue and operating expenditure (as per the Operating Performance ratio guidelines) over the time period within each council's LTFP. Each council will also need to address this in order to meet the benchmark.

Table 3 Operating performance funding gap

Council	Average gap
Ashfield	\$0
Burwood	\$.2M
City of Canada Bay	\$0
Leichhardt	\$0
Marrickville	\$0
Strathfield	\$2.8M

The process undertaken during this project identified a range of areas in which the councils can work together either through a shared services model as set out in this report or through some other collaborative working or procurement arrangement.

Even if the additional expenditure requirements set out above are achieved and a council meets all the Fit for the Future benchmarks, which logic would dictate means that scale and capacity has therefore been met, a council will still need to address the government's starting point of scale and capacity first. The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

¹ Infrastructure funding gap does not take into account any potential SRV applications

3.3 Inner west council

3.3.1 Scale and capacity

The Independent Panel recommendation was for a merger of the six councils of the inner west. Under the Fit for the Future reforms this means that the creation of an inner west council would satisfy the scale and capacity test.

There are multiple merger options in the inner west which will satisfy what appears to be the scale requirement of a population of 250,000 (based on the average size of councils not proposed for merger) by 2031 and would likely satisfy the criteria by which capacity is judged.

3.3.2 Fit for the Future benchmarks

The merged inner west council is the sum of its parts. This means that the debt service and own source revenue ratios are exceeded from day one and remain above the benchmarks throughout the period being modelled. This also means that while some efficiency benefits have been modelled in arising through the merger, the asset focus of the Fit for the Future benchmarks means that like the individual councils, the inner west council does not meet the asset related benchmarks. A funding gap in order to address the asset maintenance, asset renewal and infrastructure backlog ratios exists which is set out in the table below.

Table 4 Merged council asset funding gap

Council	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Inner West Council	\$24,519	\$12,213

The significant transitional costs identified throughout this report mean the operating performance ratio is negative from day one and improves to meet the benchmark over the period being modelled.

The table below summarised the merged council performance against the benchmarks.

Table 5 Merged council performance against Fit for the Future benchmarks

Indicator	At Day One	Over Modelling Period
Operating Performance	Does not meet benchmark	Improves to satisfies the benchmark by 2019
Own Source Revenue	Already exceeds benchmark	Continues to exceed benchmark
Debt Service Cover	Already exceeds benchmark	Continues to exceed benchmark
Asset Maintenance	Does not meet benchmark	Does not meet benchmark during modelling period
Asset Renewal	Meets benchmark at commencement	Declines until falling below benchmark by 2018
Infrastructure Backlog	Does not meet benchmark	Does not meet benchmark
Real Operating Expenditure	Not applicable	Meets the benchmark

3.3.3 Debt

The debt levels of the councils of the inner west are low. All councils are well below the debt service ratio and the same is true for the merged council. Typically, the consolidation of debt in a merger can be a community issue as a community with little or no debt may perceive as unfair having to repay debt that 'belongs' to other communities and other community's assets. While debt levels are low there are still differences and most notably between the councils who have little or no debt (Strathfield, City of Canada Bay and Ashfield who have resolved to retire their existing debt) and those who have more moderate debt levels such as Marrickville, Leichhardt and Burwood.

3.3.4 Rates

Modelling the changes in rates in a merger is very difficult to do with any degree of accuracy. Presently there are a number of significant differences in the rating systems of the councils which impact on the rates charged to an individual property. The key examples are that some have base rates and others a minimum rate as well as large variations in the proportion of rates borne by business and residential rate payers. For example in Canada Bay businesses bear 14% of the rates whereas in Marrickville that proportion rises to 40%. Currently Leichhardt has the highest average residential (\$1,199) and business rates (\$7,051). In comparison Marrickville has the lowest average residential rate (\$855) and City of Canada Bay the lowest average business rate (\$2,822).

A merged council would ultimately set a single rating system across the inner west and regardless of the approach there would be some properties where rates would rise and others where rates would reduce. A key driver for this would be land value and residents with comparatively high value properties would bear a higher proportion of the rates.

Changes to the average business and average residential rates are modelled using an entirely ad valorem and then a base rate scenario to represent a range of potential impacts that could be expected.

Under a merger of the inner west the average residential rate would increase in Leichhardt, City of Canada Bay and Strathfield under an entirely ad valorem system where land value is the sole determinant. Average residential rates would reduce in all other areas. The introduction of a base rate changes the council areas affected and the average residential rate would rise in City of Canada Bay, Marrickville and Strathfield. Under both scenarios the average business rate would reduce in both Leichhardt and Marrickville while increasing in all other council areas.

3.3.5 Environmental

The comparison of the Community Strategic Plans highlighted the environment as a common theme across all the councils. While the review of the LEPs of the councils identified some different approaches and differing levels of relative importance for the natural and built environment, this is within the context of communities that all appear to place a high value on the environment and the sustainable use of the natural environment.

As a result the environmental indicators selected do not in our view demonstrate any significant differences between the merged council and the individual councils.

3.3.6 Representation

Perhaps the single biggest negative impact from the merger of the inner west is on representation. The number of people represented by each councillor will increase significantly making it more difficult for residents to access their councillors and the council. Based on the current maximum of 15 councillors each of those would represent over 22,000 residents which does not compare favourably to a little over 6,800 in Marrickville currently.

While measures can be put in place to address a loss of representation through local or community boards at present the government has not set out in detail any proposal that the community could consider.

3.3.7 Community profile and communities of interest

The inner west is characterised by both similarities and differences. The communities of the inner west have a higher levels of education, are more multicultural than greater Sydney and combined together have a relatively high level of employment containment. There is also a common dependence and connection to the City of Sydney.

However there are also a number of differences. Strathfield's population density is significantly lower than the other areas and much closer to the areas to its west such as Parramatta, Auburn and Holroyd. Burwood has a higher level of socioeconomic disadvantage and the factors that make this up include lower household income whereas City of Canada Bay and Leichhardt are in the highest wealth cluster of council areas in NSW².

Ultimately the question is whether a merged council could adequately represent the different communities of interest in the inner west and at this time the question needs to be considered alongside the significant reduction in representation.

3.3.8 Costs and benefits of the merger

The costs and benefits of the merger arise throughout the period being modelled. The costs and benefits should not be considered in isolation. They only form part of the information on which a decision should be made and in particular they should be considered in conjunction with the infrastructure funding gap identified above.

Initially in the transition from six councils into one there are costs associated with creating the single entity (structure, process, policies, systems and branding), costs continue to arise through redundancies of senior staff and the implementation of a single IT system across the new council which has significant cost implications. Costs of the merger continue to arise in the medium and longer term largely from redundancy costs (one off) but increasingly from an overall increase in staff numbers which is typical of merged councils and considered to arise as a result of increased services and service levels.

Benefits initially arise in the short term through the reduction in the number of senior staff and Councillors required in comparison to the six councils combined. Natural attrition is initially applied meaning that overall staff numbers fall in the short term. Savings are also projected to arise in relation to procurement and operational expenditure due to the size and increased capacity of the larger council. In the medium and longer term benefits arise through reducing

² National Institute of Economic and Industry Research, New South Wales Local Government Areas: Similarities and Differences, March 2013

the overall staff numbers with a focus on removing the duplication of roles and creating greater efficiency in operations, outsourcing waste collection to a single regional contract and the rationalisation of buildings and plant (one off).

The NPV of the costs and benefits over the period being modelled (2023³) has been calculated and set out below.

Table 6 Summary of costs and benefits

NPV at 4%	NPV at 7%	NPV at 10%
\$173 million	\$143 million	\$119 million

3.3.9 Risks arising from merger

There are significant potential risks arising from the merger both in a financial and non-financial sense. The obvious financial risks are that the transitional costs may be more significant than set out in the business case or that the efficiencies projected in the business case are not delivered. The business case is high level and implementation costs and attaining the benefits will be difficult to achieve.

If, for example, the council chooses not to follow through with the projected efficiencies, this will affect the financial viability of the merged council. Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

Careful consideration of the issue of cultural integration will be required and the most consistent remedy to these particular risks is in our view strong and consistent leadership. Corporate culture misalignment during the post-merger integration phase often means the employees will dig in, form cliques and protect the old culture. In addition to decreased morale and an increased staff turnover rate, culture misalignment reduces business performance. It also prolongs the time it takes for the predicted efficiencies to be achieved.

The integration of services with differing service levels often leads to standardising those service levels at the highest level of those services that are being integrated. This is quite often a response to a natural desire to deliver the best possible services to communities as well as the need to balance service levels to community expectations across the whole area. However it does pose the risk of increased delivery costs and/or lost savings opportunities. Similarly, introducing services that are not currently delivered in one or more of the former council areas to the whole of the new council area will incur additional costs.

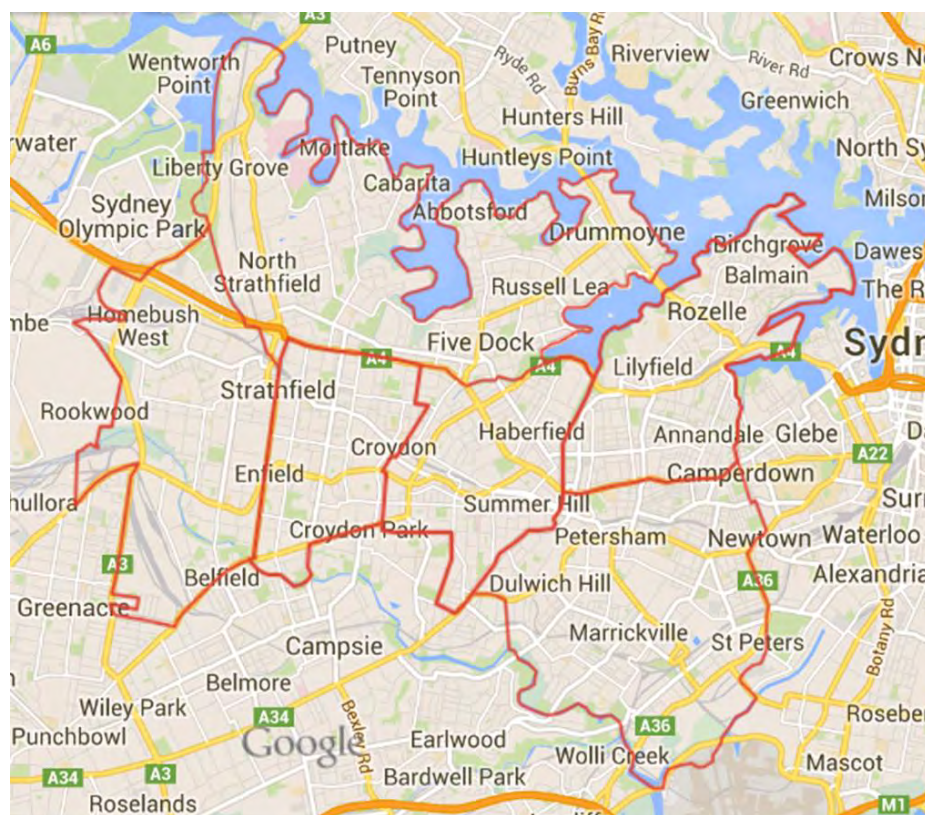
³ 2023 is the period being modelled to match the time covered by all Council LTFPs

4. DETAILED ANALYSIS

4.1 Status quo

Ashfield, Burwood, City of Canada Bay, Leichhardt, Marrickville and Strathfield ('the inner west') cover a substantial geographic area in metropolitan Sydney with the Harbour to the north, the City of Sydney to the east, St George and Canterbury/Bankstown to the south and Auburn to the west. A map of the area is set out below in Figure 1 and shows each council area bounded by red lines.

Figure 1 Map of inner west councils



As a starting point the council's current performance against the Fit for the Future benchmarks⁴ has been considered as it is important to understand the respective position of each council as it is today. Figures in red are those where the council does not meet the benchmark. We note that previously councils have not been required to report on the real operating expenditure ratio so these results were not published in the 2014 Financial Statements.

An explanation of each indicator and the basis of the calculation are set out in **Appendix A**. Each has been calculated in accordance with the requirements set down by the Office of Local Government. The ratios are a reduced set of benchmarks drawn from those used by TCorp in its 2013 analysis of the Financial Sustainability.

⁴ Reported in the 2013/14 Financial Statements for the respective councils

The Debt Service and Own Source Revenue ratios are both exceeded by all of the councils and do not present an issue for any council. In contrast the infrastructure backlog ratio is exceeded by all councils and most significantly by Burwood⁵. Results against the other benchmarks vary but no council met more than four of the six benchmarks in 2014.

Table 7 Fit for the Future benchmarks 2014

Council	Operating Performance	Own Source Revenue (%)	Debt Service (%)	Asset Maintenance (%)	Infrastructure Backlog (%)	Asset Renewal (%)
Ashfield	-1.1	99.99	4.09	83	8	64.38
Burwood	-5.32	74.62	10.75	57	56	181.29
City of Canada Bay	-1.0	75.54	17.1	99	3	126.75
Leichhardt	5.82	85.28	12.46	106	7	84.43
Marrickville	-2.53	88.87	1.66	58	1	52.5

4.1.1 Fit for the Future indicators⁶

Of the Fit for the Future benchmarks, Marrickville meets only two at present and achieves two more over the modelling period based on maintaining the status quo. A successful SRV sees two more indicators meet the benchmark over the longer term.

TCorp has rated Marrickville Council with a Moderate rating for financial sustainability with a Neutral outlook. The Office of Local Government considers its infrastructure management to be Moderate.

Operating Performance, Own Source Revenue and Debt Servicing, all improve over the modelling period and the proposed Special Rate Variation consolidates and enhances that improvement, particularly moving Operating Performance over the benchmark. A successful SRV will improve the operating and infrastructure ratios over the period modelled

Asset Renewals achieve a 100% ratio if the SRV is successful or only 50% if not. The SRV will also address the backlog in a significant manner but not enough to meet the benchmark.

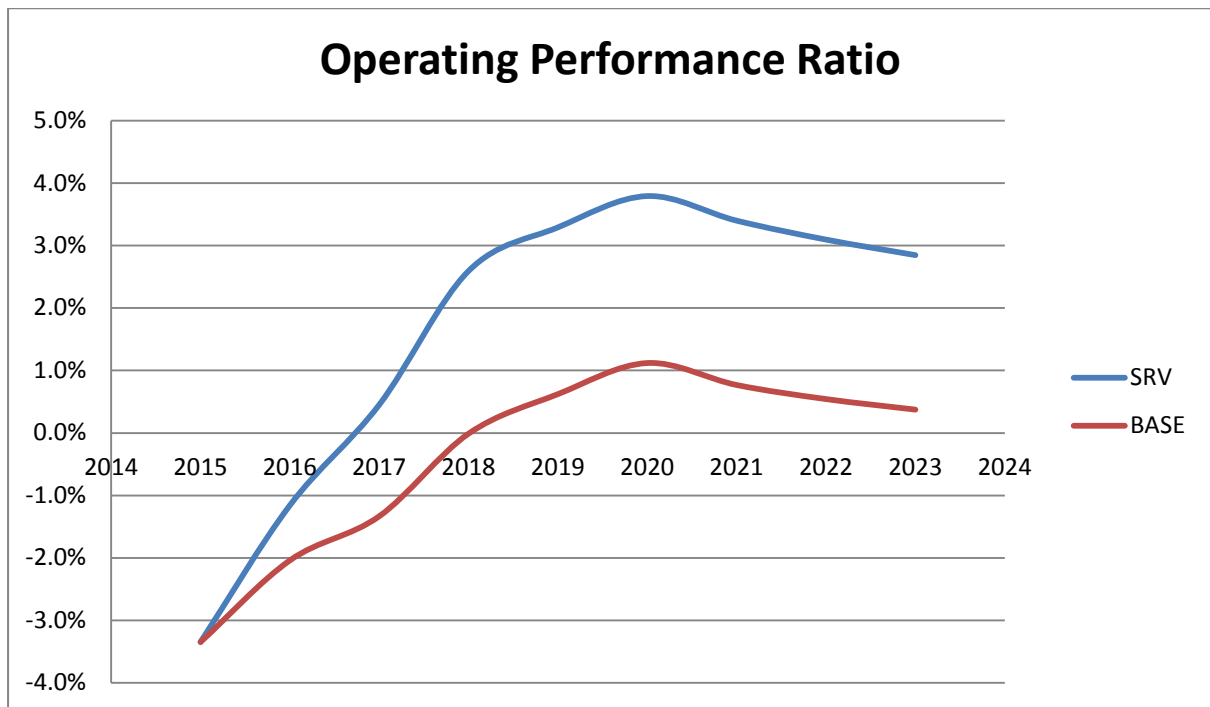
⁵ It should be noted that Burwood has re-assessed the calculation of their infrastructure backlog and are expected to report a much lower figure in 2015.

⁶ The forecast of the infrastructure backlog is based on the methodology outlined in section 4.2.4

Table 8 Marrickville Council (status quo) performance against Fit for the Future benchmarks

Indicator	Modelling Outcome (without SRV)	Modelling Outcome (with SRV)
Operating Performance	Meets the benchmark in 2018	Meets the benchmark in 2017
Own Source Revenue	Already exceeds benchmark	Already exceeds benchmark
Debt Service Cover	Already exceeds benchmark	Already exceeds benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark
Asset Renewal	Doesn't meet benchmark	Meets benchmark by 2022
Infrastructure Backlog ⁷	Doesn't meet benchmark	Doesn't meet benchmark
Real Operating Expenditure	Meets the benchmark	Meets the benchmark

Figure 2 - Operating Performance Ratio



⁷ The forecast of a councils infrastructure backlog is based on using condition 3 as satisfactory

Figure 3 - Own Source Revenue

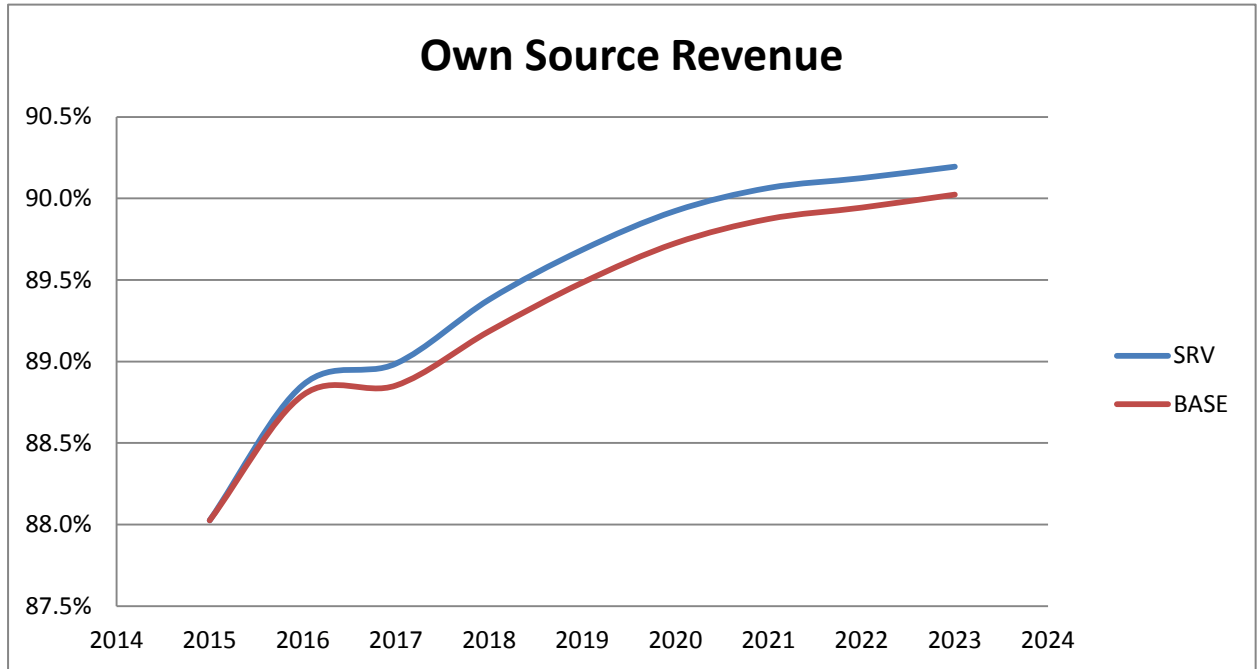


Figure 4 - Debt Service Ratio

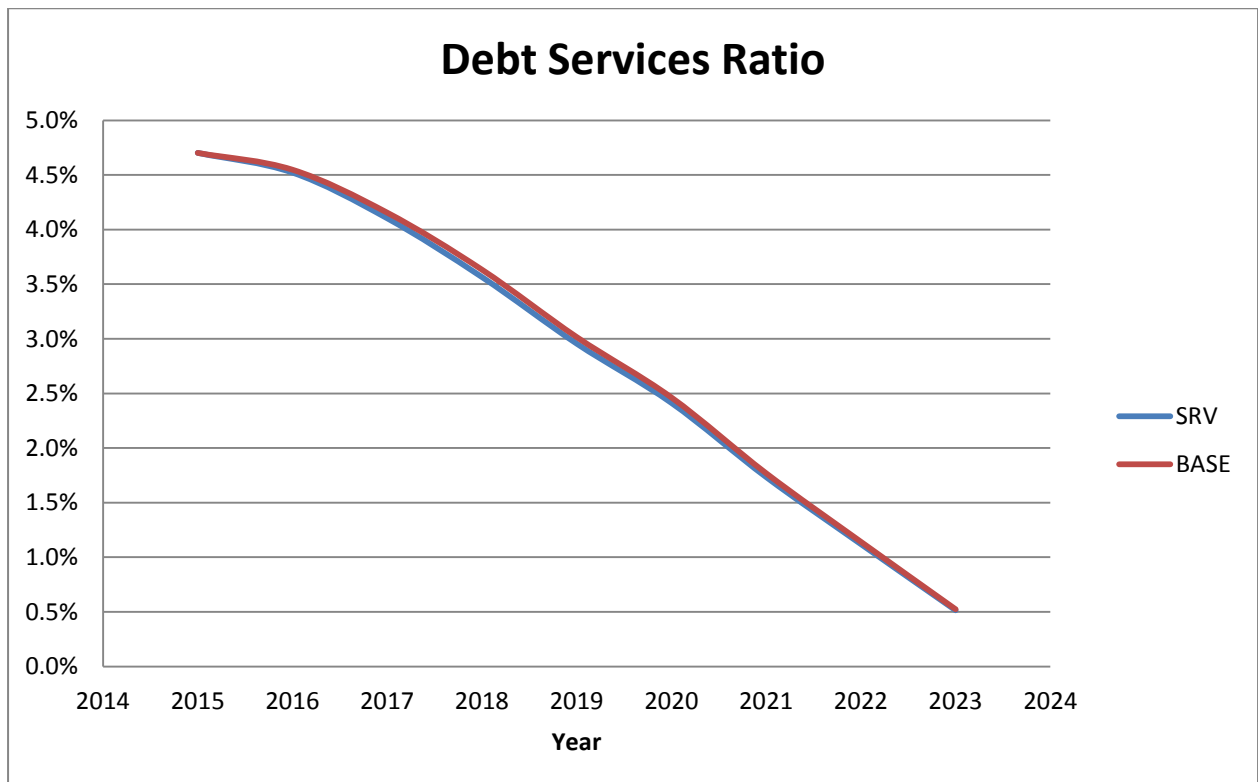


Figure 5 - Asset Renewal Ratio

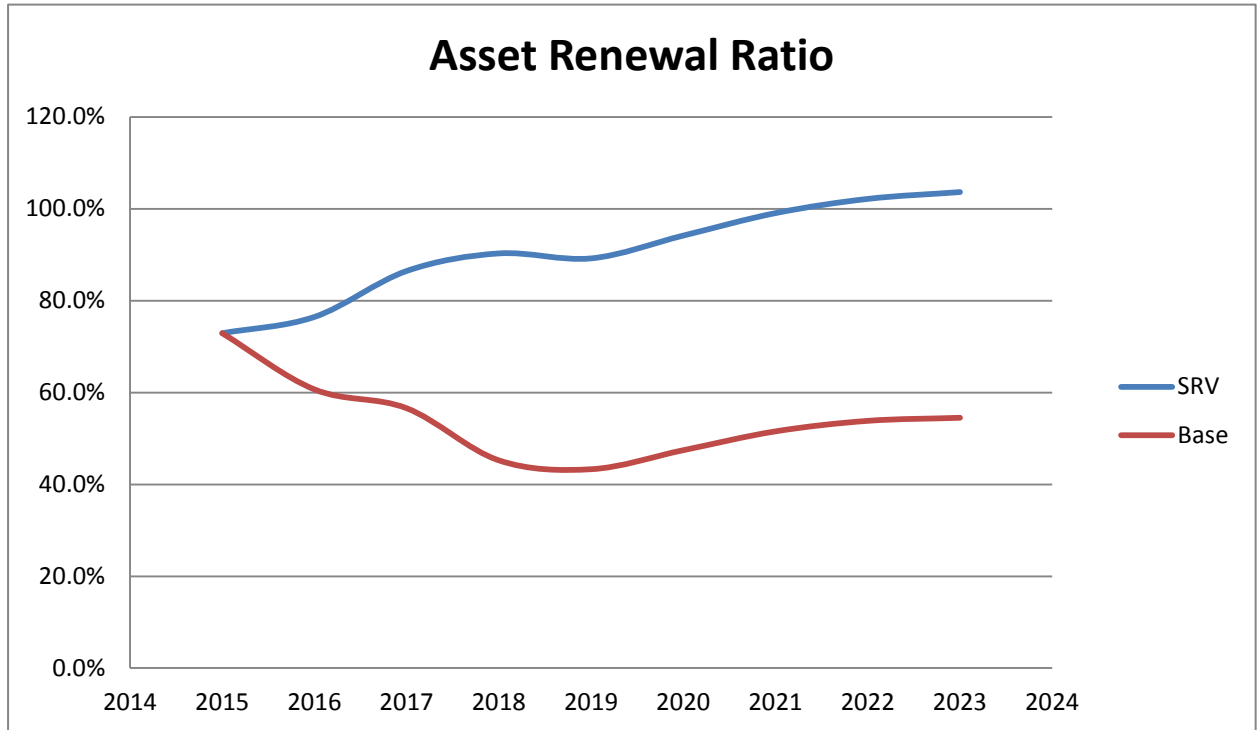


Figure 6 - Infrastructure Backlog Ratio

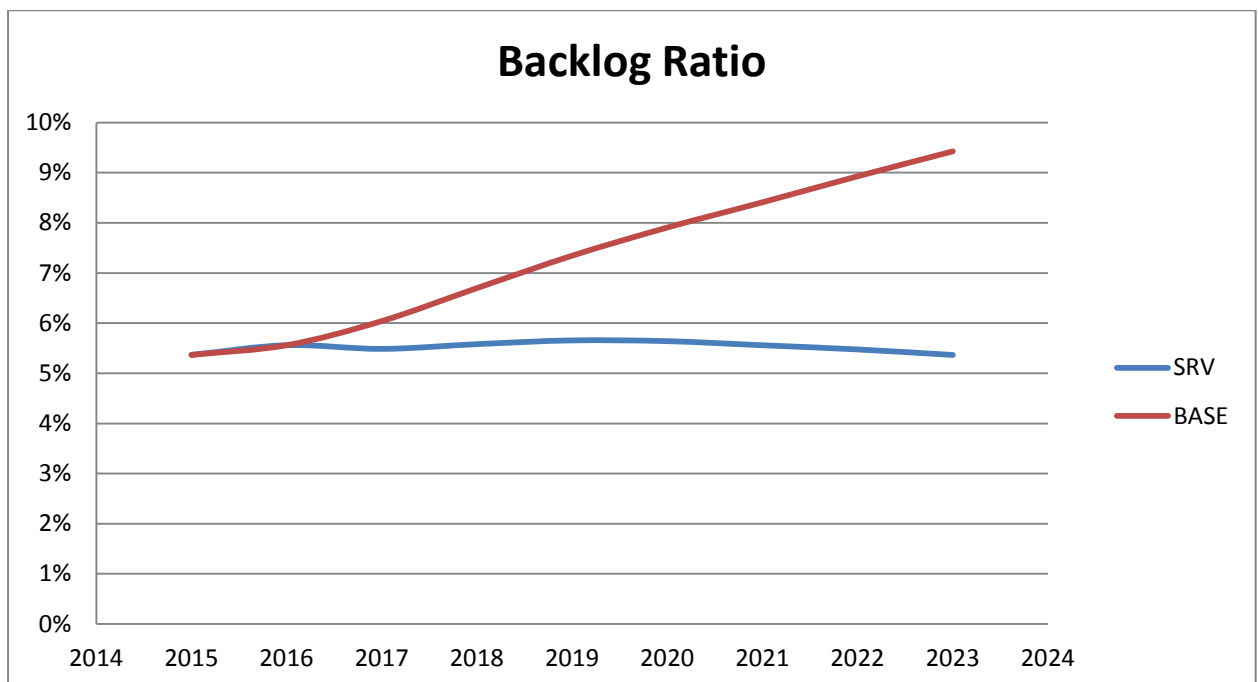


Figure 7 - Asset Maintenance Ratio

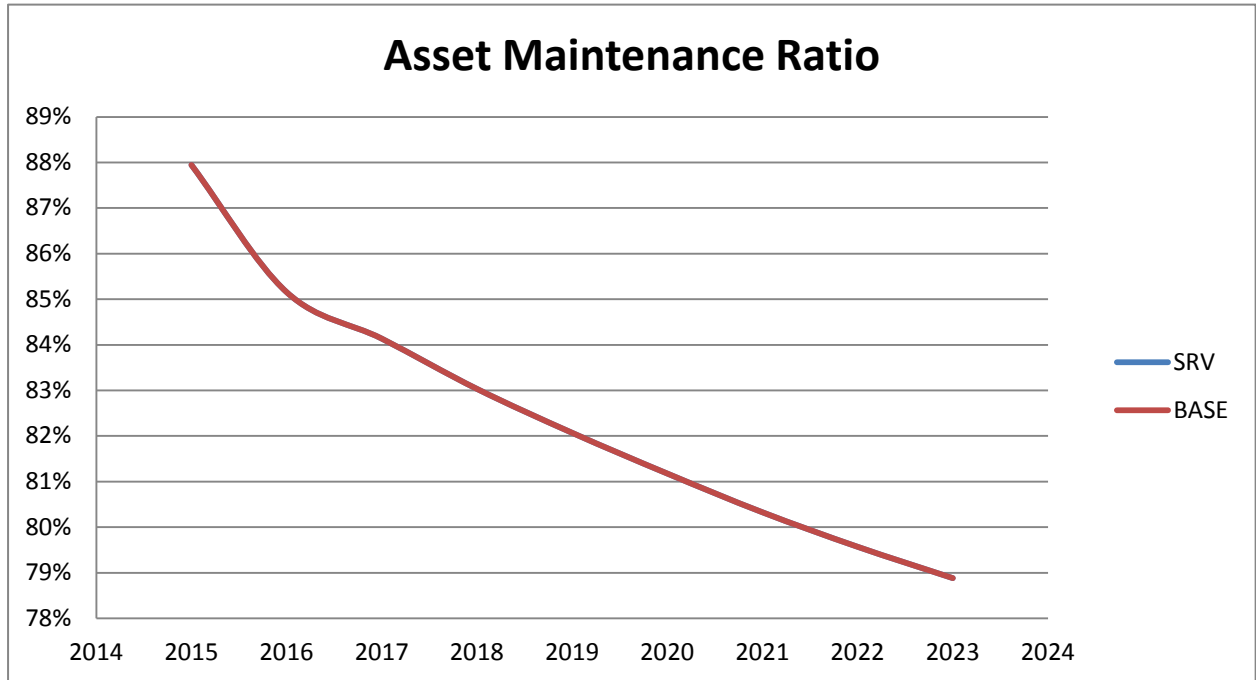
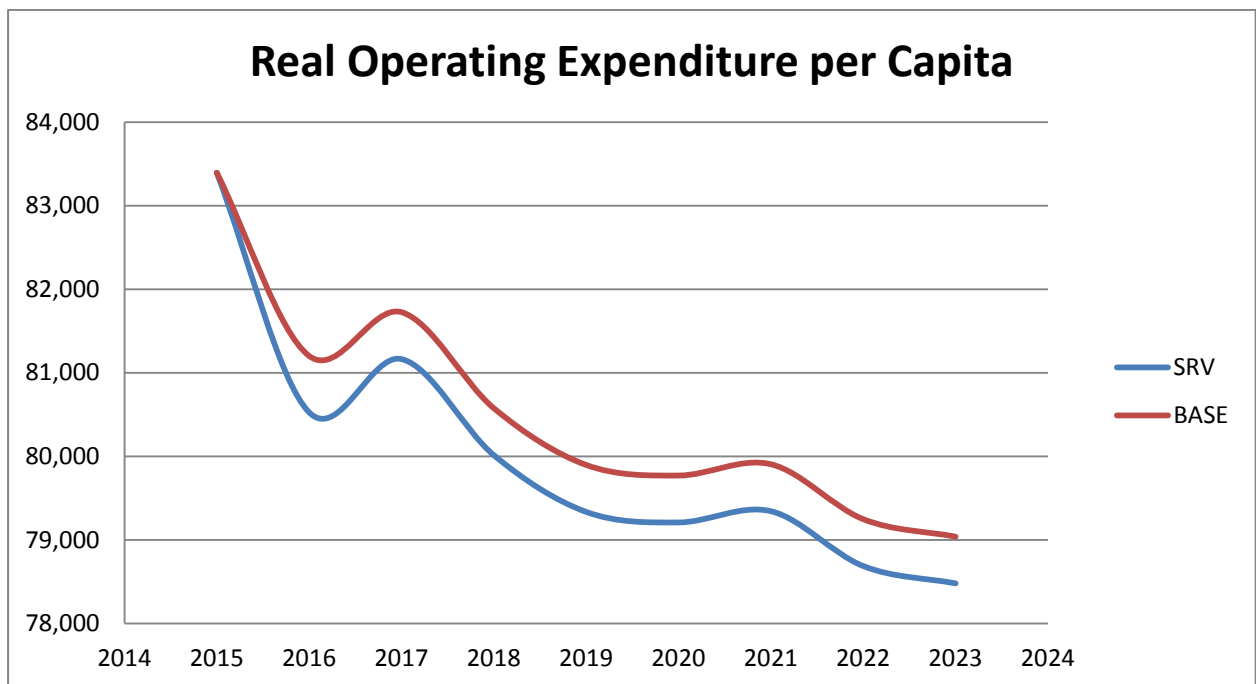


Figure 8 - Real Operating Expenditure per Capita



4.2 Each council optimum

An analysis of what would need to be done in order for each council to satisfy the Fit for the Future benchmarks has been undertaken. The asset based ratios (asset maintenance, asset renewal and infrastructure backlog) have been considered as has the Operating Performance ratio. Each aspect has been separated out in the following sections before being combined into an overall figure which identifies what, if any, funding gap exists that if satisfied would enable the council to meet the Fit for the Future benchmarks. Where such a gap has been identified and should a council choose to pursue a standalone response to Fit for the Future, then the council will then need to determine how they best address that gap. We would expect that this would be either through additional revenue, a reduction in operating expenses or a combination of both.

4.2.1 Operating performance

The operating result of each council (calculated on the same basis as the Operating Performance Ratio and so excluding capital grants and contributions) has been reviewed and the gap, if any, between the operating revenue and operating expenses identified below. For simplicity, this is presented as an average of the years projected in each council's LTFFP.

Table 9 Operating performance funding gap

Council	Gap
Ashfield	\$0
Burwood	\$200,000 per year
City of Canada Bay	\$0
Leichhardt	\$0
Marrickville	\$0
Strathfield	\$2.8M

4.2.2 Asset maintenance

The maintenance ratio is based in part on the number each council reports as 'required maintenance'. However there are no guidelines on how required maintenance is to be calculated and when the required maintenance figures from across the councils were considered some significant variations were identified.

A standardised approach was adopted for the purposes of this project in order to provide a relative comparison of the inner west councils and for use when estimating the required annual maintenance for the inner west council.

The approach uses a percentage of the current replacement cost as the basis for required maintenance. The rates for the different asset classes are based on our knowledge and expertise as well as consideration of ratios of a large number of Sydney based councils as benchmark comparisons. In the roads asset class it was clear that there was considerable

variation in how the assets were valued. Working in conjunction with the councils, the required maintenance for roads was calculated on a per kilometre basis instead. This is considered to provide a realistic comparison across the councils.

The table below sets out the gap between the required annual maintenance and projected maintenance. Negative figures are highlighted in red and show the annual additional amount a council, based on our standardised approach, would need to spend on maintenance to satisfy the asset maintenance ratio.

Table 10 **Asset maintenance funding gap**

Council	Actual Annual Maintenance	Estimated Required Maintenance	Gap
Ashfield	\$ 2,743	\$ 3,405	-\$ 662
Burwood	\$ 2,497	\$ 3,656	-\$ 1,159
City of Canada Bay	\$ 5,957	\$ 7,876	-\$ 1,919
Leichhardt	\$ 2,296	\$ 6,930	-\$ 4,634
Marrickville	\$ 8,242	\$ 9,580	-\$ 1,338
Strathfield	\$ 1,752	\$ 2,455	-\$ 703

4.2.3 Asset renewal

The asset renewal ratio is based on each council's assessment of annual depreciation on buildings and infrastructure and their actual expenditure on building and infrastructure renewals. If asset depreciation is calculated appropriately then this represents the loss of value of an asset on an annual basis and a renewal ratio of 100% reflects (at an overall level) restoring that lost value.

While the calculation of depreciation varies quite significantly across the inner west councils it is not possible to simply standardise depreciation in the same way that the required maintenance number can be. The assessment of depreciation is integral to the financial management of each council and their LTFP. Any change requires a proper assessment of the assets, condition, lives and values. The assessment of required asset renewals is therefore based on each council's own assessment of depreciation and required renewals.

The table below sets out the gap between the required annual renewals and projected renewals expenditure. Negative figures are highlighted in red and show the annual additional amount a council (based on our standardised approach) would need to spend on renewals to satisfy the asset renewal ratio. Positive figures show the amount by which a council will exceed the required renewal expenditure leading to a ratio of greater than 100%.

We note that the two councils engaged in the shared modelling project with funding deficits in renewals expenditure are both seeking special rate variations which will help address the funding gap.

Table 11 Asset renewal gap

Council	Average predicted annual renewals	Average required annual renewals	Gap
Ashfield	\$ 3,035	\$ 4,332	-\$ 1,298
Burwood	\$ 5,816	\$ 4,593	\$ 1,223
City of Canada Bay	\$ 12,963	\$ 12,296	\$ 667
Leichhardt	\$ 12,209	\$ 10,326	\$ 1,883
Marrickville	\$ 3,988	\$ 7,570	-\$ 3,583
Strathfield	\$ 3,371	\$ 4,060	-\$ 690

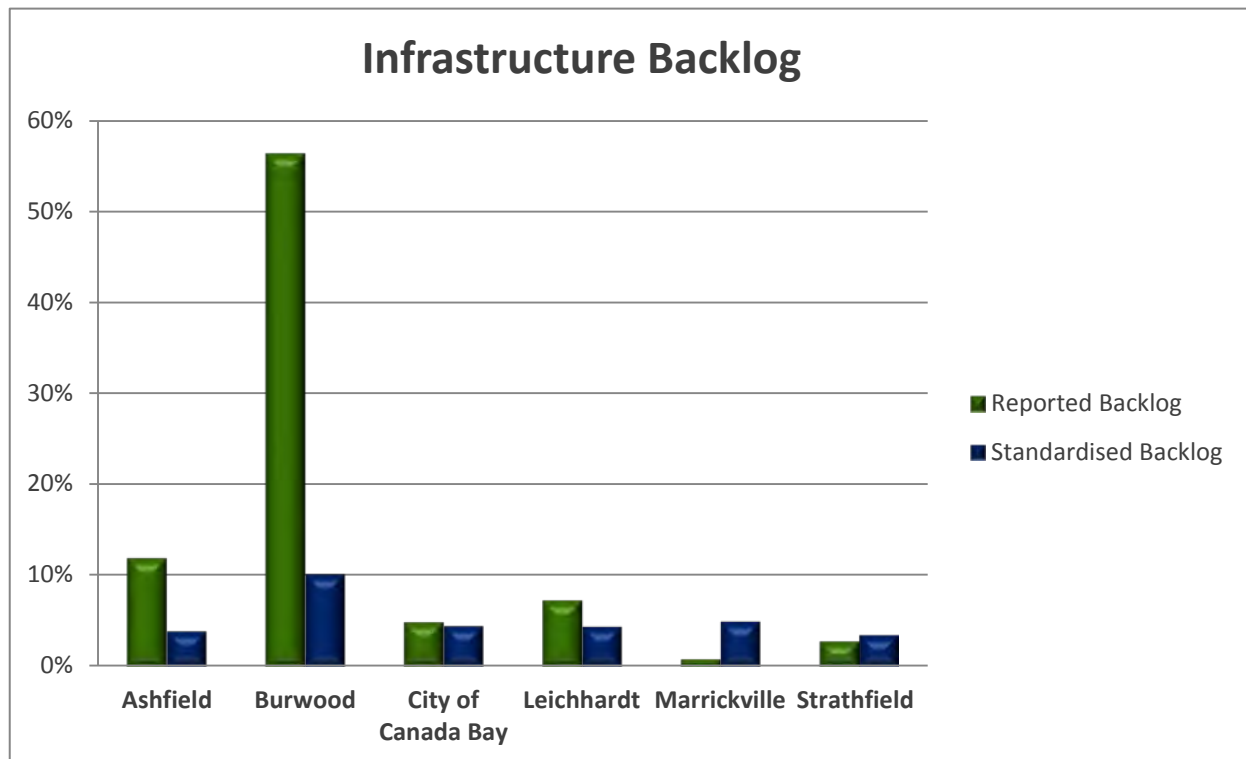
4.2.4 Calculating the estimated cost to satisfactory

The estimated cost to satisfactory is the key driver of the infrastructure backlog ratio. However, there are no clear guidelines as to how the cost to satisfactory has to be calculated and as such the approach varies significantly across NSW. Even within the inner west it is clear that the councils have different methodologies for determining the cost to satisfactory.

Given the variation in methodologies it was considered appropriate that for comparative purposes and for the assessment of the infrastructure backlog of a merged council a standardised approach should be adopted.

All councils have adopted a similar condition rating system based on a 1 – 5 condition rating where condition 1 is considered to be excellent and condition 5 being poor or very poor condition. The standardised approach adopts condition 3 as satisfactory. We do acknowledge that some councils have considered adopting a lower standard as satisfactory and have engaged with their communities on this. Our approach looks at the value of asset (Current Replacement Cost) in condition 4 and 5, and what could be done to ensure these assets are brought up to condition 3 (satisfactory). It should be noted the cost to satisfactory is an indicator of asset condition, and as such the reality of asset renewals is that those assets in condition 4 and 5 when renewed would be brought up to condition 1 or 2.

Figure 9 Infrastructure backlog recalculated using the standard Morrison Low methodology



The table below sets out what each council would need to spend on additional renewals (i.e. over and above maintaining a 100% asset renewal ratio) to reduce the infrastructure backlog ratio to the benchmark within five years.

Table 12 Cost to bring assets to satisfactory

Council	Total value of assets ⁸	Cost to satisfactory	Target Backlog	Reduction Required	Per year (5 years)
Ashfield	\$291,628	\$ 7,460	\$ 4,137	-\$ 3,323	\$ 665
Burwood	\$445,359	\$ 23,421	\$ 5,547	-\$ 17,874	\$ 3,575
City of Canada Bay	\$695,888	\$ 17,068	\$ 7,683	-\$ 9,385	\$ 1,877
Leichhardt	\$760,352	\$ 21,229	\$ 9,722	-\$ 11,508	\$ 2,302
Marrickville	\$839,079	\$ 29,689	\$ 12,097	-\$ 17,591	\$ 3,518
Strathfield	\$224,825	\$ 4,383	\$ 2,536	-\$ 1,847	\$ 369

4.2.5 Annual funding gap

The table below summarises the expenditure required by each council, based on our standardised approach, in order to meet all three asset based ratios within five years. Once the

⁸ Current Replacement Cost (2014)

infrastructure backlog is brought to the benchmark then the required expenditure in all councils falls.

We have not included the funding gap related to the operating performance ratio in this table as that would not present a realistic picture of the required expenditure. Any increase in expenditure on maintenance or renewals will flow through to affect the operating revenue and expenses of the Council and therefore the Operating Performance Ratio. Additionally, a council may choose to address the funding gaps identified in Tables 8 – 12 by increasing revenue, shifting funding from another service or activity, reducing overall costs or a combination of all the above. This will all affect the other ratio. It is not therefore considered possible to simply add the Operational Funding Gap identified in Table 8 and Infrastructure Funding Gap identified in Table 13 below together into a single figure.

Table 13 Combined asset funding gap

Council	Asset Maintenance	Renewals	Infrastructure Backlog	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Ashfield	\$ 662	\$ 1,298	\$ 665	\$2,625	\$1,960
Burwood	\$ 1,159	-\$ 1,223	\$ 3,575	\$3,511	-\$64
City of Canada Bay	\$ 1,919	-\$ 667	\$ 1,877	\$3,129	\$1,252
Leichhardt	\$ 4,634	-\$ 1,883	\$ 2,302	\$5,053	\$2,751
Marrickville	\$ 1,338	\$ 3,583	\$ 3,518	\$8,439	\$4,921
Strathfield	\$ 703	\$ 690	\$ 369	\$1,762	\$1,393

4.3 Merged council

4.3.1 Description

The merging of the six councils into one inner west council will create an entity that is larger in many respects than any other council in New South Wales – past and present.

With the exception of the City of Sydney, which has a significantly larger expenditure budget due to its capital city status, the largest council in New South Wales is currently Blacktown City Council. An inner west council will be larger in many respects than Blacktown City Council, particularly in respect to assets under management and population.

To give some scale to the proposed council organisation, set out below are some broad indicators of the attributes of a new inner west council and a comparison to Blacktown City Council⁹:

⁹ OLG Comparative Performance Data 2012-13

Table 14 Comparison of inner west council and Blacktown City Council

	Inner West Council	Blacktown City Council
Full time equivalent staff	1,786	1,352
Geographic area	76 km ²	240 km ²
Population	336,000	318,000
Annual expenditure	\$380 million	\$ 400 million
Assets managed	\$ 6.2 billion	\$ 3.3 billion

The new council would be home to more than 6% of the population of the entire greater Sydney metropolitan area and would represent a significant proportion of the inner metropolitan population. This would be signified by its population being represented by seven state parliamentary electorates/members and three federal electorates/members. The combined population would have a better educational profile and moderately high levels of wealth per household, when compared with the rest of Sydney.

4.3.2 Services

The range of services and facilities provided by any council to its community varies significantly from place to place. Not only do the types of services vary, but the levels of service will often be quite different from council to council.

The reasons for these variations are numerous. For many councils the suite of services that they offer in the present day is a reflection of decisions made by councils past. Those decisions are generally based on community desires and needs, funding availability or strategic business choices. Figure 10 highlights the locations of some key council services including council offices, libraries, depots, swimming pools and recreation centres.

Figure 10 Key services and facilities of the inner west

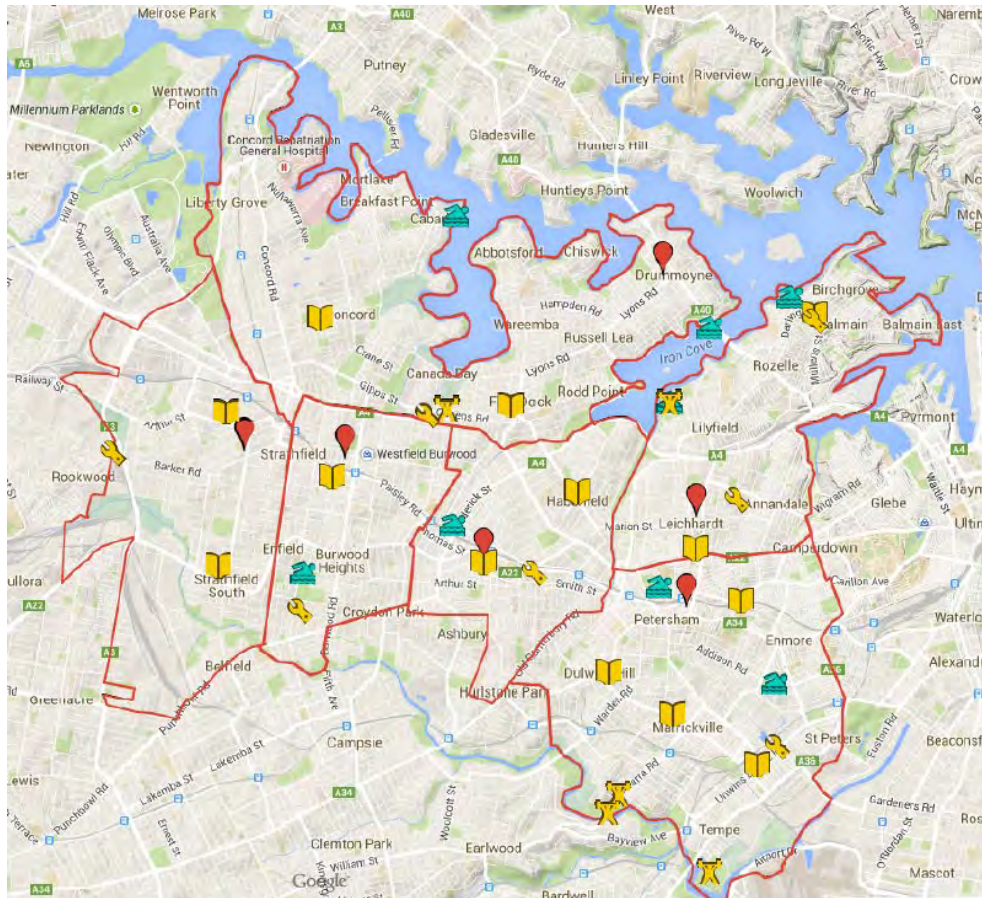


Table 15 Key to figure 10

	Council Offices
	Public Libraries
	Swimming Pools
	Recreation Centres
	Council Depots

Regardless of the original rationale for service types, levels and delivery decisions, councils need to continue to make regular and structured revisions to their service portfolios in order to meet emerging or changing community needs, capacity to pay issues or regulatory change.

The councils of the inner west are reflective of the broader local government industry and exhibit many variations on the types and levels of service that they offer to their communities despite their relative proximity. There are obviously cost implications for the councils providing different services and levels of service.

There are a range of examples where services vary across council borders within the inner west and those variations can be in the form of:

- providing a particular service or not doing so
- differing methods of delivering services (in house, outsourced, collaborative)
- variety in the levels of service delivered (frequency, standard)
- pricing.

The issue of the provision of children's services is a case in point. Ashfield, Burwood and Strathfield Councils do not directly provide centre based child care services while City of Canada Bay provides a family day care service and a children's centre. Leichhardt and Marrickville, however, each have a portfolio of council operated child care centres or preschools (four and six respectively) with more in the planning stages at Leichhardt and Marrickville.

In these cases, the differences are not simply in the type of delivery of the services to the community, but in the policy positions adopted around direct provision or the facilitation of delivery through other mechanisms.

The provision of aquatic facilities is another area that demonstrates a range of approaches across the councils involved. With the exception of Strathfield, all of the inner west councils provide at least one aquatic facility. However those facilities range across a spectrum from ocean baths to swimming centres to full aquatic and leisure centre developments. Several of the councils undertake the full management of their facilities including the operation of the centres by day labour, while others outsource the management and operation of their centres to commercial operators. The user pricing of these facilities also varies across the councils. From \$6.00 to \$7.50 (a range of up to 25%) for a single casual adult entry, each of the five councils providing facilities charges a different fee.

The councils also have different response times. For example, the response time in relation to complaints about animals ranges from within 24 hours (Ashfield and Strathfield) to within five days (Canada Bay). Likewise there is a significant variation between published response times relating to Graffiti from 48 hours (Ashfield and Strathfield) to five days (Burwood).

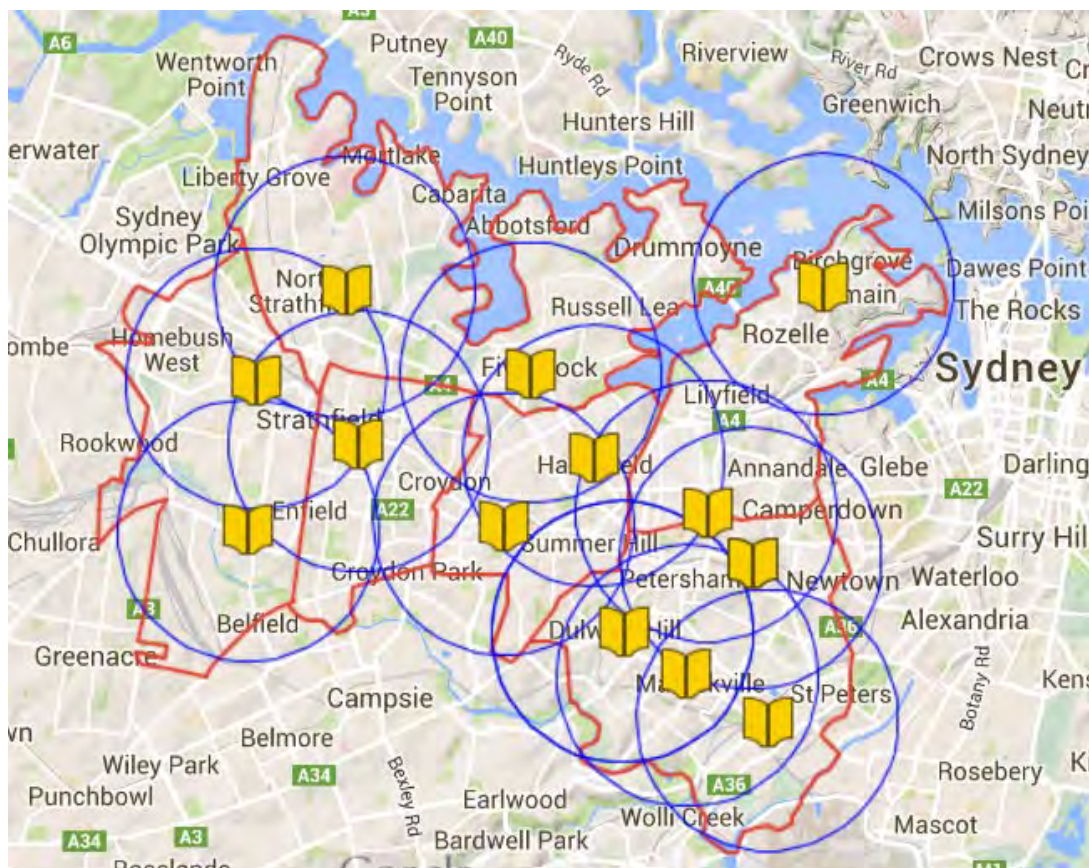
Another example arises from the fact that most of the councils offer a verge mowing service of some description. Variation is demonstrated in the service standards, such as frequency of mowing, but most significantly in the eligibility of property owners to access the service. In most council areas eligibility revolves around age or infirmity except for residents in Leichhardt and Marrickville. In these council areas the service is a regular programmed services and is provided across the local government area to all areas with a grass verge.

Set out in **Appendix D** is a table containing a high level review of a range of council service and the variations in those among the councils of the inner west.

Establishing a uniform, or at least consistent, service offering through the mechanisms of service standard setting, pricing and delivery will be a challenging exercise for any merged council however it does provide opportunities for service review and re-evaluation. Often in a merged council the desire to ensure an equitable and fair service across the entire local government area can result in a gradual increase in services and services levels. In assessing the advantages and disadvantages of a merger of the inner west councils the assumption has been made that current service levels will continue until such time as the merged council makes a decision otherwise.

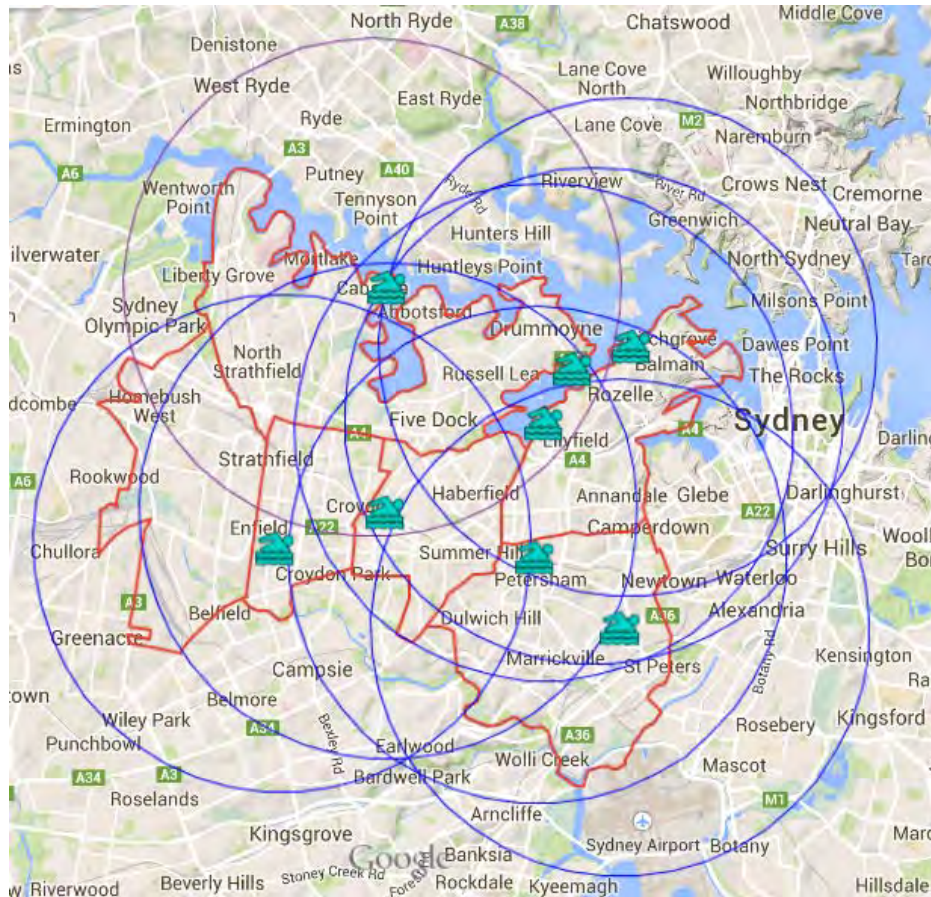
The location of the libraries and swimming pools of the inner west councils are set out in Figures 11 and 12 below. Each facility has a representative catchment drawn around the location of facility¹⁰. The size and nature of the facilities varies and the catchments are not scaled to demonstrate an oversupply or identify a facility or facilities for rationalisation. The purpose is to highlight the different challenge that a council of the inner west will be faced with in regards to the provision and the location of services and facilities. Having responsibility for a larger area without the existing internal boundaries will require a different approach and likely lead to changes in services and service delivery.

Figure 11 Location of the libraries of the inner west



¹⁰ Representative catchments for libraries is at 2km and Swimming Pools at 5km

Figure 12 Location of the swimming pools in the inner west



4.3.3 Social, environmental and economic

The following is a summary of a detailed communities profile and communities of interest study that is set out in **Appendix H**.

Geographically, the inner west is quite a contained area, with the only physical restraints between its communities being major transport infrastructure such as Parramatta Road and some waterways. It has traditionally been grouped as a small region, separate from the City of Sydney to its east, St George and Canterbury/Bankstown to its south and Auburn to its west.

There are a number of similarities between the areas, including:

- the dependence on and movements to the City of Sydney for employment, entertainment, retail and other services
- the area as a whole is more multicultural than Greater Sydney
- there is a low ratio of children to adults of parenting age associated with a low proportion of children in the population overall and a low proportion of elderly people
- higher education levels than Greater Sydney
- there is low employment containment within each council area, however the inner west region as a whole is higher.

However a number of differences can also be observed. The New South Wales Local Government Areas: Similarities and Differences report¹¹ categorises the council areas into a number of different clusters based on the predominance of certain demographic factors:

- Burwood and Strathfield are in the cluster of the most multicultural council areas in NSW
- The City of Canada Bay and Leichhardt are in the highest wealth cluster of council areas
- Ashfield and Marrickville are in the most academically inclined cluster of council areas

Other differences include:

- Strathfield's population density is significantly lower than the other areas and much closer to the areas to its west such as Parramatta, Auburn and Holroyd
- there are differences in the cultures that are predominant in the areas
- Burwood is somewhat of an outlier in terms of socioeconomic disadvantage and the factors that make this up including household income
- there are more residents of Burwood and Strathfield in the generally lower earning occupations (trades, labouring)
- City of Canada Bay has the largest economy in gross terms, however when this is considered at a per capita level (population, businesses and workers), Strathfield has a high value economy for its size
- City of Canada Bay and Leichhardt have higher rates of employment containment
- political representation differs across the inner west.

At the state and federal level, the inner west continues to be grouped within the same regions for both services and strategic planning.

4.3.4 Environment

4.3.4.1 Natural and built

A summary assessment, relative to the other councils, has been considered on the relative emphasis on:

- protection of the natural environment – the councils may well have other environmental strategies or programs of work in place but the level of emphasis on protection in the LEP should indicate the level of commitment
- protection of the built environment/heritage and character of the existing urban area
- the overall (policy) approach to growth and development.

In our view Burwood is the relative outlier with a relatively permissive approach to development and little or no aims around protecting the natural environment or built heritage. The high level review identified that with the exception of Burwood, all the councils are promoting a transport oriented, compact quality approach to growth and development. Some also promote housing diversity and affordability. However, Burwood Council has indicated that the council's efforts "have been on meeting the growth targets imposed by the State government by concentrating all development around public transport nodes (Burwood Station and Strathfield Station)".

¹¹ National Institute of Economic and Industry Research, New South Wales Local Government Areas: Similarities and Differences, March 2013

In terms of environmental protection and protection of heritage the councils could be said to fall into a spectrum:

- Environmental protection – Burwood (low / no emphasis in overarching plan aims) to Leichardt (high emphasis in overarching plan aims)
- Built heritage – Burwood (low / no emphasis in overarching plan aims) to Leichardt (high emphasis in overarching plan aims)
- The summary of the comparison is set out in **Appendix F**

4.3.4.2 Indicators

Table 16 Environmental indicators

Council	Waste diverted (%)	Open Space (Ha/000 population)	Tree Canopy (% of LGA)
Ashfield	36	1.09	19.8
Burwood	35	1.09	21.5
City of Canada Bay	44	3.35	20
Leichhardt	43	1.47	20.3
Marrickville	41	1.43	16.3
Strathfield	72	3.26	18.4
Combined	44	2.03	19

4.3.5 Representation

Table 17 Comparison of representation

Council	Representation (population / Councillor)
Ashfield	3,638
Burwood	4,953
City of Canada Bay	9,133
Leichhardt	4,692
Marrickville	6,807
Strathfield	5,381
Combined	22,413¹²

¹² Assuming 15 Councillors

4.3.6 Organisation alignment

4.3.6.1 Policy alignment

A comparison of each council's community strategic plan was undertaken to identify at a high level whether there was consistency or inconsistency between the organisations in a policy sense. At the Community Strategic Plan level, the inner west councils' Community Strategic Plans are all relatively consistent. This is not an unexpected result. While there are some differences that stand out in our view these are around the edge.

Each Council's plans are presented quite differently but it has been possible to draw out their vision, and what each has called either themes or key result areas.

Each of the five communities have, through their future plans identified strong visions for their community. While expressed differently, each council's vision and high level themes for delivery are in many ways aligned with a focus on: The environment, the economy, its people, leadership and access to quality services.

Connectivity is a feature across all communities. This connectivity is characterised across each community to include things such as transport and infrastructure, technology and through social and human capital.

A principle of effective and accountable government features across all councils, with the Councils of Marrickville, Strathfield and Leichhardt specifically noting it in their vision for the future.

The cities of Marrickville, Burwood Ashfield and Strathfield's visions specifically highlight the importance of supporting diversity within their communities, and ensuring that future communities are built on the diversity that is present within their council region. This also features in other communities' plans through the exploration of themes and key activities areas.

A desire to expand the local economy is a feature of all plans, with a strong emphasis on development of small business within the communities.

Creating usable and sustainable environments also feature across the communities. The emphasis varies from a focus on maintaining the natural environment (for example Canada Bay) to creating useable spaces such as parkland (for example Marrickville). Regardless, it shows a commitment across communities to prioritising the managing of the use of land and space for community amenity across the regions.

While there is, at a high level, comparison between the five councils, we acknowledge that the differences where they arise will become more apparent at a more detailed level of analysis (e.g. Delivery Programs, Operational Plans).

Figure 15 Summary of City of Canada Bay Community Strategic Plan



Figure 16 Summary of Leichhardt Community Strategic Plan



4.3.6.2 Cultural Alignment

It is difficult to compare the internal cultures of the council organisations in this exercise, however there are some simple measures that may provide appropriate indicators.

By measuring training and development expenditure against both total expenditure and full time equivalent staff numbers we can assume that each of the councils has a similar approach to staff development, tempered by some variation in the actual numbers.

Each council spends less on training and development than industry bench marks. From 0.15% (City of Canada Bay) of total expenditure to 0.54% (Marrickville) all councils are well below the 1% of total expenditure that is considered the industry benchmark. The annual expense, per employee, ranges from \$361 to \$946 although the three median councils are consistent at around \$500 to \$600 per staff member.

These figures can be influenced by factors such as the maturity of the workforce and the fluctuating nature of total expenditure year on year and ideally, should be compared over time.

A further indicator is annual staff turnover. Not all councils reported this statistic however the three that did were reporting 9%, 10.7% and 11.8%, with an industry average indicated at around 9% turnover annually. Again, this is as much dependent upon the profile of the workforce as it is on corporate culture however it does identify some common ground.

Community Values

Although *community* values are quite specific to local needs and community aspirations, there are common themes that emerge from a comparison of the visions for their communities that are expressed by the councils.

The common themes that emerge, very consistently, among the councils' community values are:

- Sustainability / environment
- Local economy
- People and places
- Leadership, governance and democracy
- Services

All of these elements of community vision are expressed differently however the underlying commonality is evident.

Corporate Values

Similarly, the two councils with accessible *corporate* values share some commonality in their key messages.

The common elements are:

- Responsiveness
- Transparency
- Innovation
- Consultation/Communication
- Accountability

It would be fair to say that these are relatively common corporate values in any case.

Council Policies

A desktop review of the policy registers of the councils highlights some interesting differences in the issues that have been given priorities (at some point in time) by the different councils. A couple of policies or focuses that stand out are:

- Marrickville has a Business with Burma Policy
- Leichhardt's purchasing policies include a Memorandum of Understanding with the Labor Council
- Leichhardt features both a public art policy and a Fair Trade Community Policy
- Marrickville has a clear arts and culture focus through a Cultural Policy, Arts Grants and Artist Exchange Policies
- Marrickville and City of Canada Bay have a strong focus on community engagement through the use of Citizen's Panels
- Ashfield has a Culturally Diverse Society Principles Policy, a Recognition of Aboriginal Community Policy and a strong focus on community engagement
- Marrickville has a strongly statement commitment to its LGBTIQ community
- Ashfield report a focus on their governance framework which is exhibited by the policies relating to Enterprise Risk Management, Corruption Prevention, Fraud Prevention, Conflict of Interest, Statement of Business Ethics and rigorous Internal Audit program

While we recognise policies change and reflect a position at a particular time they also reflect the organisational culture which is tasked with implementing them.

Size of Councils

Organisational size can impact on culture in a range of ways, such as diversity of skills and workforce characteristics, level of specialisation vs multifunctional roles, capacity to undertake a greater range of functions and services, and partnership and advocacy capacity with other levels of government.

In the Inner West, a council such as Strathfield which has a very small size workforce, is considerably more constrained in its strategic capacity than a council the size of, say, City of Canada Bay, which has the size and capacity for greater specialisation of roles, diversity of functions and services, and detailed strategic planning down to a smaller precinct level.

In any merger there is likely to be a sense from the smaller councils that larger councils are taking over.

At present, a number of the councils in the Inner West are heavily and proactively engaged with the State Government on major infrastructure projects, such as WestConnex. This can change the focus of an organisation away from simple delivery of its own services, to a wider view of local governance and partnership in delivery of broader state and federal objectives.

4.3.7 Financials

The estimated costs and benefits of a merger of the inner west have been modelled, with the results set out below.

Tables 17 and 18 provide a summary, narrative and financials of the costs and benefits of the merger with the detailed assumptions set out in **Appendix C**.

The modelling has been undertaken on the basis of constructing a base case for each council using the current LTFP (with alternative scenarios for those councils intending to seek special rate variations) including all assumptions that a council has made in order to inform the development of that document. The merged council is modelled on the basis of a combined base year where all council costs and revenues set out in the LTFP are brought together (2015). Common assumptions are then modelled forward for increase in revenue and costs. Overlaid are the costs and benefits of the merger with Short (1-3 years), Medium (4 – 5 years) and Long Term (6 – 10 years) time horizons. For simplicity, all transitional costs are modelled as taking place within the first three years. A sensitivity analysis is set out in Appendix C to test the impact of a failure to reach the stated IT benefits.

Table 21 then summarises the financial performance of the merged council with the Fit for the Future Indicators set out later in section 4.3.9.

Table 18 High level description of costs and benefits arising from merger

Item	Short Term (1 – 3 years)		Medium term (4 – 5 years)		Long Term (6-10 years)	
	Cost	Benefit	Cost	Benefit	Cost	Benefit
Governance		Reduction in total cost of councillors				
Staff	Redundancy costs associated with Senior Staff	Reduction in total costs of Senior Staff Reduction through natural attrition	Redundancy costs associated with any reduction in staff numbers Increase in staff costs associated with typical increase in services and service levels from merger	Reduction in staff numbers in areas of greatest duplication	Increase in staff costs associated with typical increase in services and service levels from merger	
IT	Significant costs to move to single IT system across entire council					Benefits arise from single IT system and decrease in staff
Materials and Contracts		Savings from Procurement and network level decisions over asset expenditure		Savings from Procurement and network level decisions over asset expenditure Savings from moving to large regional waste contract		Savings from Procurement and network level decisions over asset expenditure
Assets			Rationalisation of plant and fleet			
Transitional Body	Establish council and structure, policies, procedures Branding and signage	Government grant				

Table 19 Summary of Costs and Benefits (Financial)¹³¹⁴

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Governance	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M	\$1.1M
Staff -Redundancies -Natural attrition -Staff increase	\$9.65M	\$15.5M	\$21.4M	\$19.3M	\$23.6M	\$21M	\$18.4M	\$15.8M	\$13.2M
IT -Transition costs -Long term benefits	-\$42M	-\$21M	-\$7M			\$10M	\$10M	\$10M	\$10M
Materials and Contracts	\$2.0M	\$2.0M	\$2.0M	\$2.9M	\$3.4M	\$4.8M	\$4.8M	\$4.8M	\$4.8M
Assets -Plant and fleet -Buildings				\$36M					
Grants and Government Contributions	\$16.5M								
Transitional Costs -Transitional body - Rebranding	-\$16.2M								
Total	-\$28.9M	-\$2.4M	\$17.5M	\$59.3M	\$28.1M	\$36.9M	\$34.3M	\$31.7M	\$29.1M

¹³ The table provides a simple representation of costs and benefits which in the modelling are subject to appropriate inflationary adjustments

¹⁴ Costs are shown as negative figures, benefits as positive

While the merged council has a number efficiencies modelled in over the short, medium and longer term the significant short term costs arising from the merger and the redundancy costs that arise in the medium term mean that the financial performance over the initial period is not positive. In the medium and longer term the financial performance of the council improves but the impact of rising costs from staff increases associated with services and service levels begins to also take effect.

It should be highlighted and is demonstrated in section 4.3.9 that the merged council has an asset related funding gap which will need to be addressed and that the modelling does not include an increase in revenue through any Special Rate Variation as is the case with Ashfield and Marrickville.

The NPV of the costs and benefits over the period being modelled (2023¹⁵) has been calculated and set out below.

Table 20 Summary of costs and benefits

NPV at 4%	NPV at 7%	NPV at 10%
\$173 million	\$143 million	\$119 million

¹⁵ 2023 is the period being modelled to match the time covered by all Council LTFPs

Table 21 Summary of financial impacts of merger

Income Statement	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Source: Council Financial Statements and Long Term Financial Plan	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Rates & Annual Charges	210,210	220,688	236,493	243,588	250,895	258,422	263,788	271,702	276,633	284,932	293,480
User Fees & Charges	56,200	59,850	63,555	65,220	66,981	68,763	70,647	72,583	74,571	76,615	78,714
Grants & Contributions - Operations	27,874	22,262	28,237	27,779	28,418	29,072	29,740	30,425	31,124	31,840	32,572
Grants & Contributions for Capital	34,193	37,628	22,949	22,577	23,096	23,627	24,171	24,727	25,296	25,877	26,473
Interest and Investment Income	14,775	11,708	9,485	9,864	3,857	3,857	3,857	3,857	3,857	3,857	3,857
Gains from disposal assets	338	142	1,653	1,626	1,664	1,702	37,862	2,612	2,672	2,733	2,796
Other Income	31,590	31,385	27,617	27,169	27,794	28,433	29,087	29,756	30,441	31,141	31,857
Total Income	375,180	383,663	389,989	397,824	402,706	413,877	459,153	435,661	444,594	456,995	469,749
Income exc'l Gains/losses	374,842	383,521	388,336	396,198	401,042	412,175	421,291	433,049	441,922	454,262	466,953
Income exc'l Gains/losses & Capital Grants	340,649	345,893	365,387	373,621	377,946	388,548	397,120	408,322	416,626	428,385	440,480
Expenses											
Borrowing Costs	3,136	2,916	3,092	3,247	3,409	3,579	3,758	3,946	4,144	4,351	4,568
Employee Benefits	150,279	156,556	167,472	161,997	160,377	158,774	160,079	168,883	178,172	187,971	198,310
Gains & losses on disposal	734	63	-	-	-	-	-	-	-	-	-
Depreciation & Amortisation	49,000	47,306	50,709	52,460	54,222	54,553	56,231	57,960	59,743	61,581	63,475
All other Expenses	140,303	147,838	140,470	183,239	168,036	159,077	159,356	171,506	162,051	166,912	171,920
Total Expenses	343,452	354,679	361,743	400,943	386,045	375,983	379,424	402,295	404,110	420,816	438,273
Operating Result	31,728	28,984	28,246	- 3,119	16,661	37,894	79,729	33,366	40,484	36,180	31,476
Operating Result before grants & contributions for capital purposes	- 2,465	- 8,644	5,297	- 25,696	- 6,435	14,267	55,558	8,639	15,189	10,302	5,004

Rates

Given the differing rating structures among the councils it is difficult to model the impact of a merger on rate revenue and in particular the impacts on individual land owners. As a starting point the current rates for the inner west councils are set out below highlighting the existing differences as well as the different approaches.

Figure 19 Average residential rate (2014)

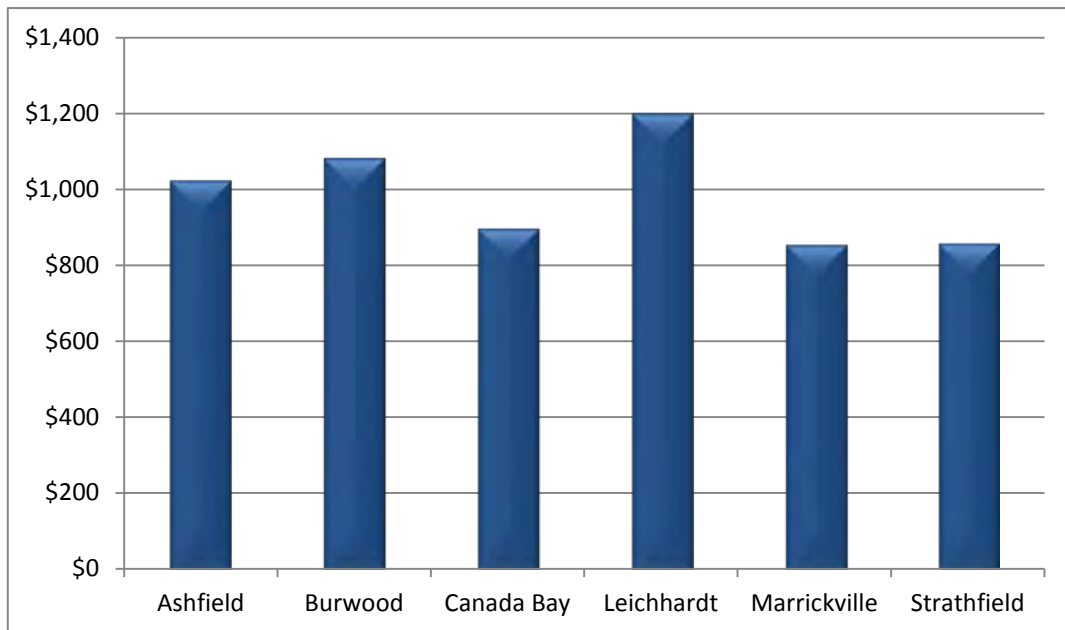


Figure 20 Average business rate (2014)

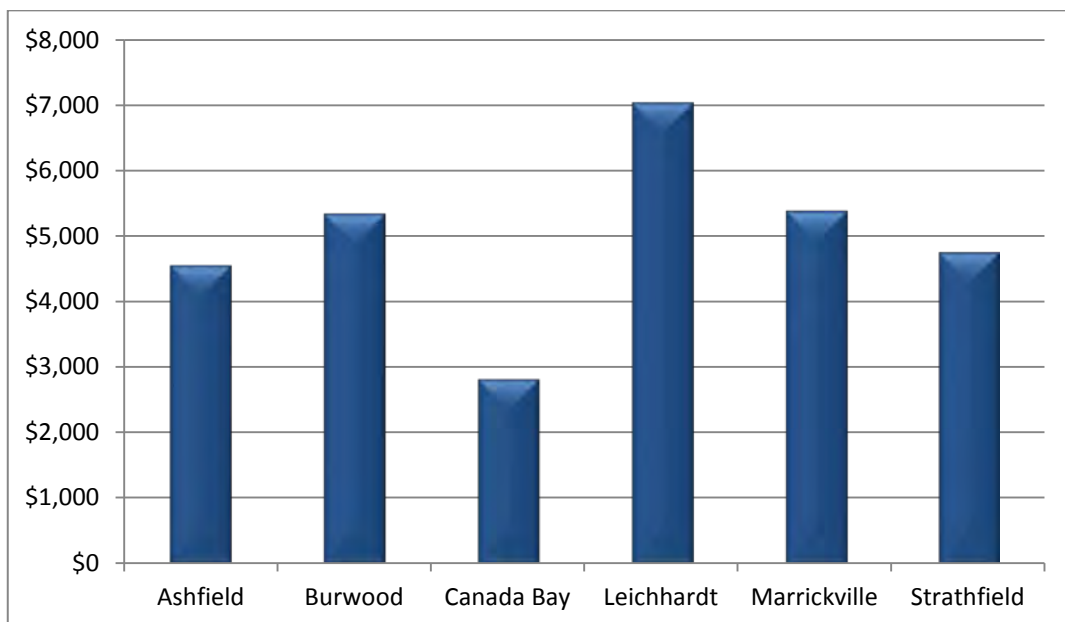


Figure 21 Comparison of minimum and base rates (2014)

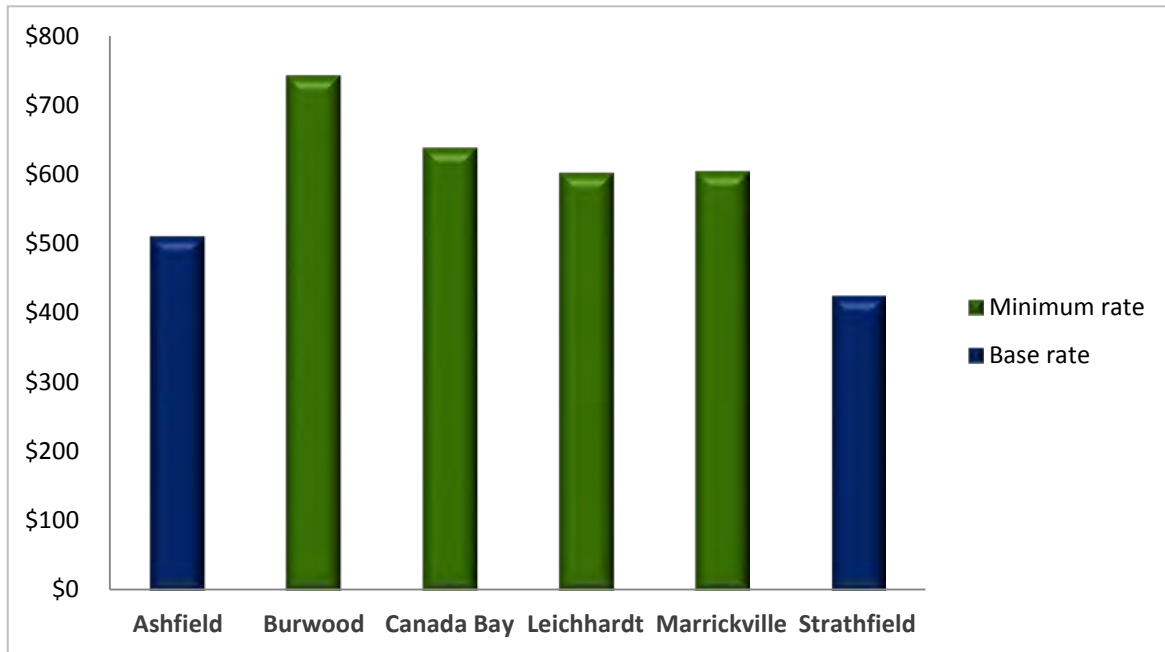


Table 22 Comparison of proportion of residential and business rates

Proportion of rates	Ashfield	Burwood	City of Canada Bay	Leichhardt	Marrickville	Strathfield
Residential	80%	73%	86%	67%	60%	69%
Business	20%	27%	14%	33%	40%	31%

In order to provide information on what the potential impact of a merger on rates would be representative examples have been modelled by redistributing the 2014/15 rates without adjusting the rating structures. Two scenarios have been used based on the total rate revenue (residential and business) of the inner west councils. In each scenario the total rates (residential or business) are apportioned across the inner west consistently. Scenario 1 is entirely ad valorem and Scenario 2 provides for a base charge to be set at the maximum level with the remainder ad valorem.

The key drivers are therefore land values and the differences in the way in which councils currently allocate rates between categories. The actual impact on any property or properties will be the result of the actual rating structure chosen by any new council and how quickly a merged council decided to adopt and then implement a single rating structure. Within each council area there will be individual properties that are affected in different ways by the changes due to categorisation and land valuation issues.

Analysis of potential changes in average rates indicate that in comparison the standard rate peg change in rate (2.3% for 2014) there would be significant changes in rates across the inner west arising from a merger. The changes are described in the figures below by reference to a change from the 2014-15 rate and expressed as a percentage change.

Figure 22 Change in residential rate (ad valorem)

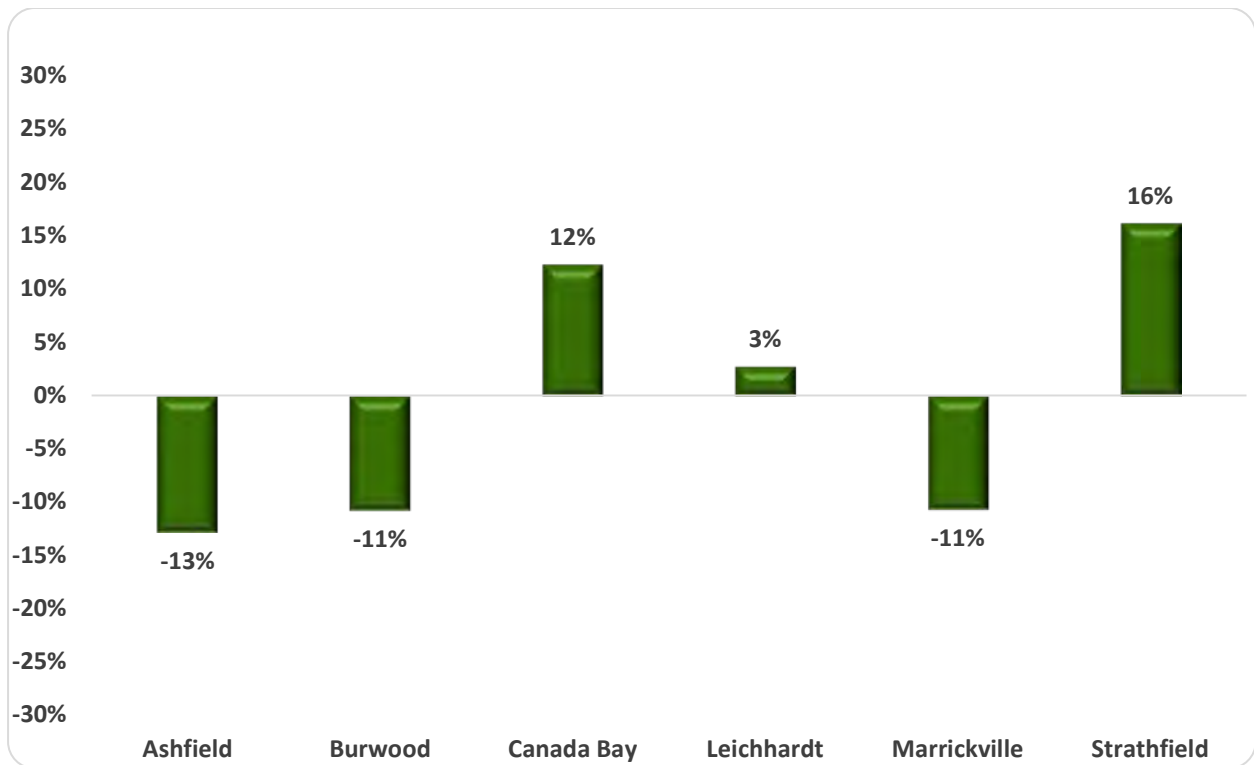


Figure 23 Change in residential rate (base rate)

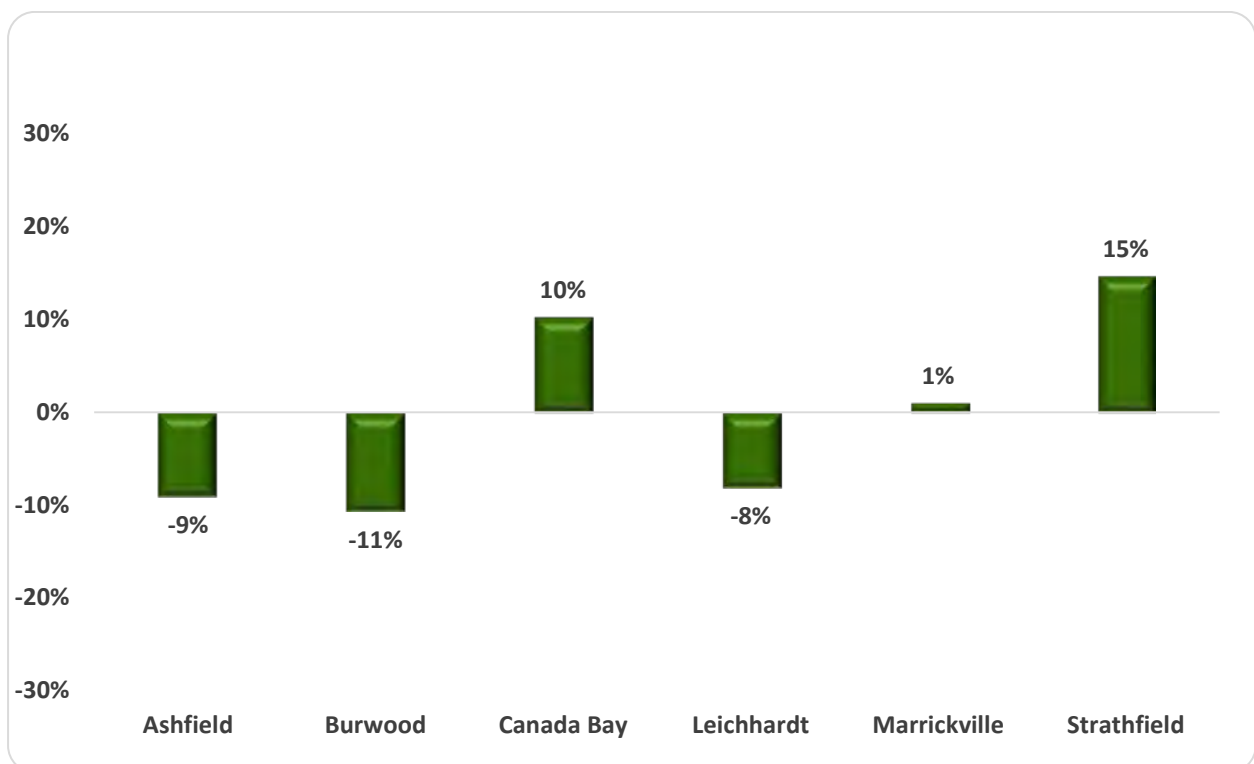


Figure 24 Change in business rate (ad valorem)

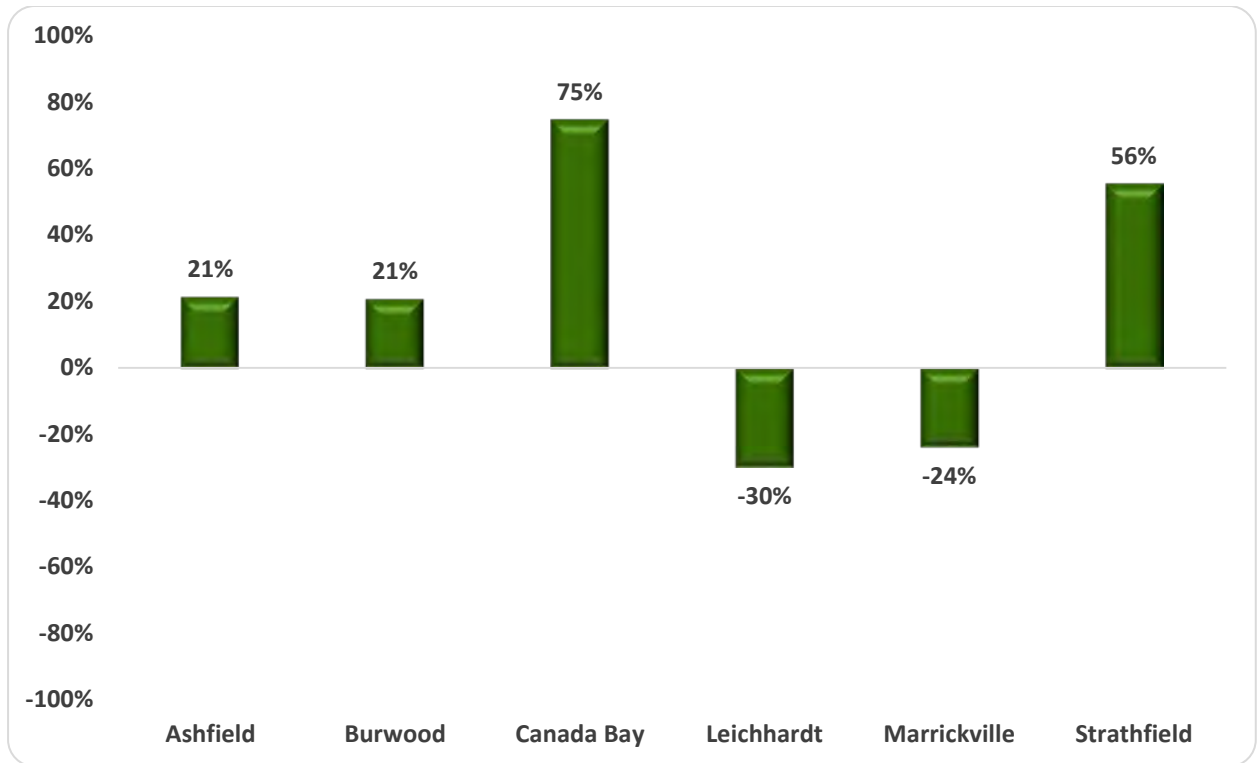
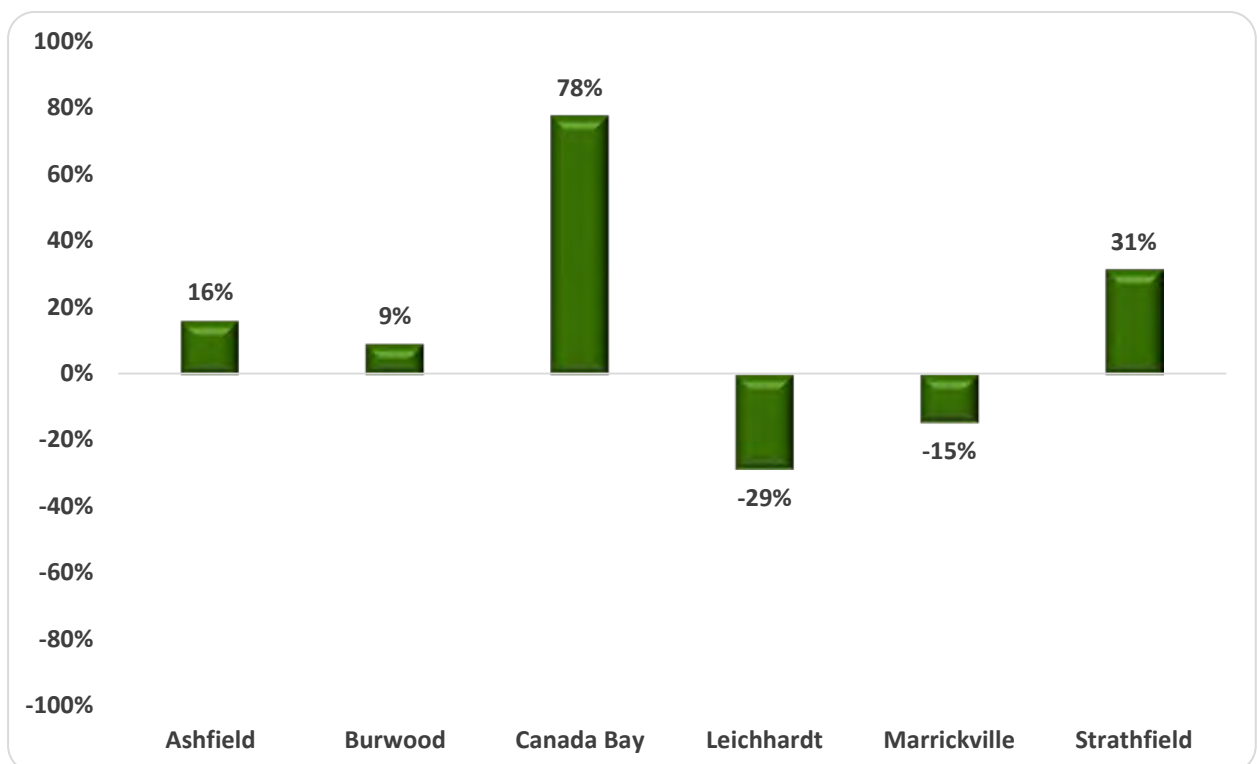


Figure 25 Change in business rate (base rate)



Debt

The councils of the Inner west collectively and individually carry little or no debt and all are well within the Fit for the Future benchmark. However, it is recognised that debt is an issue of general concern to communities and that those debt free communities may have a view as to the loss of that debt free status in a merged entity. We are advised that in December 2014 Ashfield resolved to retire their debt.

Total collective debt for the inner west councils is currently \$42.7 million.

Table 23 Comparison of debt

Council	Debt (\$000)	Debt Service Ratio	Debt per Capita (\$)
Ashfield	9,393	4.09	216
Burwood	6,714	10.75	194
City of Canada Bay	0	0	0
Leichhardt	11,411	12.46	203
Marrickville	15,205	1.66	186
Strathfield	0	N/A	0
Combined	42,723		127

4.3.8 Scale and capacity

Scale

Scale has not been defined by either the Independent Review Panel or the Office of Local Government. However, an analysis of the inner Sydney metropolitan councils not recommended for merger appears to indicate a threshold requiring a population of approximately 250,000¹⁶ by 2031.

On that basis the table below identifies the mergers in the inner west that would satisfy the scale criteria.

¹⁶ Average population in 2031 of the inner Sydney Metropolitan Councils not recommended for merger

Table 24 Inner west mergers

Inner West Mergers meeting scale criteria	
2 Councils	No mergers satisfy threshold
3 Councils*	Burwood + City of Canada Bay + Marrickville City of Canada Bay + Leichhardt + Marrickville Ashfield + City of Canada Bay + Marrickville City of Canada Bay + Marrickville + Strathfield
4 Councils	All possible mergers except merger of Ashfield, Burwood, Leichhardt, Strathfield
5 Councils	All possible mergers satisfy threshold
6 Councils	Satisfies threshold

* Only the merger of Ashfield, City of Canada Bay and Marrickville comprises councils with fully common boundaries.

Capacity

The panel report articulates the Key Elements of Strategic Capacity¹⁷

Figure 26 Scale and capacity

Box 8: Key Elements of Strategic Capacity
<ul style="list-style-type: none"> ▪ More robust revenue base and increased discretionary spending ▪ Scope to undertake new functions and major projects ▪ Ability to employ 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.

These key elements and the performance of the merger options against them is set out in the following table:

¹⁷ Box 8, Page 32 of Revitalising Local Government

Table 25 Scale and capacity in the inner west

Criteria	2 Councils	3 Councils	4 Councils	5 Councils	6 Councils
More robust revenue base and increased discretionary spending	No	Significant change	Significant change	Yes	Yes
Scope to undertake new functions and major projects	No	Significant change	Significant change	Yes	Yes
Ability to employ wider range of skilled staff	No	Moderate change	Significant change	Yes	Yes
Knowledge, creativity and innovation	No	No change	No change	Yes	Yes
Effective regional collaboration	No	Moderate change	Significant change	Yes	Yes
Credibility for more effective advocacy	No	Moderate change	Moderate change	Yes	Yes
Capable partner for state and federal agencies	No	No change	Moderate change	Yes	Yes
Resources to cope with complex and unexpected change	No	Moderate change	Moderate change	Yes	Yes
High quality political and managerial leadership	No	Moderate change	Moderate change	Yes	Yes

A more detailed explanation of the rationale for these assessments is set out in **Appendix E**.

4.3.9 Indicators

In common with the individual councils, the merged council meets the Own Source Revenue and Debt Service Cover benchmarks at day one of the merger. Again, consistent with, and as a function of, the individual councils' ratios both of these measures are maintained at well above the benchmarks for the duration of the modelling period.

The Operating Performance ratio improves over the initial period of the modelling to satisfy the benchmark from 2019. It should be noted that the impact of rising costs from staff increases associated with services and service levels begins to take effect in later years.

The ratio for Asset Maintenance falls initially and then remains static at 70% of the benchmark for the duration of the period modelled.

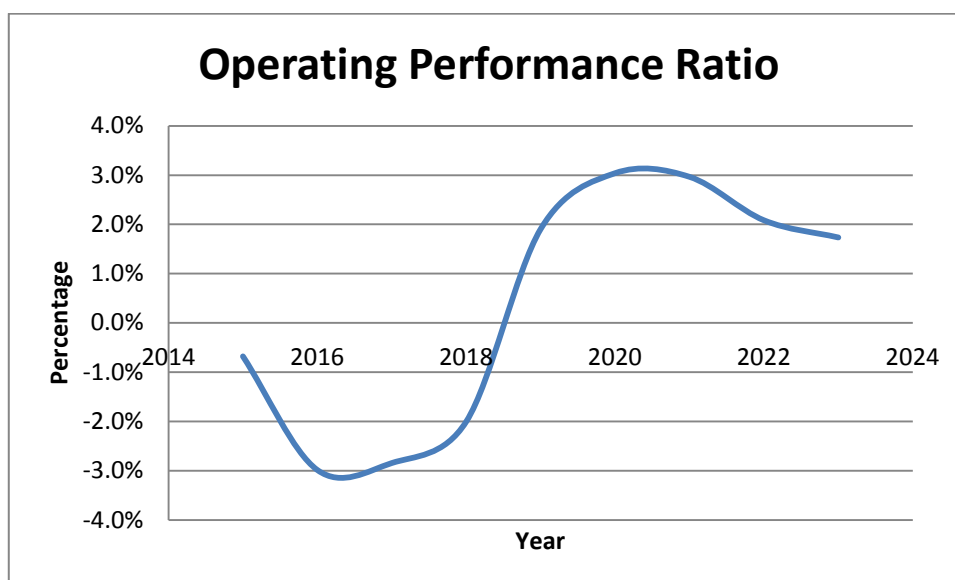
The Asset Renewals ratio is at the benchmark of 100% at day one however it rises above the benchmark in the first two years before falling back below the benchmark in 2018, remaining there for the remainder of the modelling period.

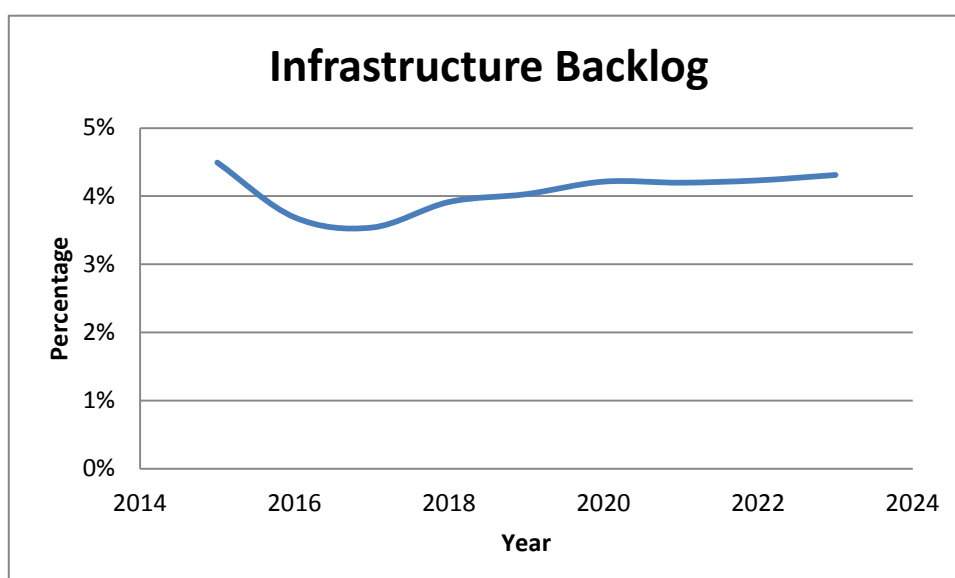
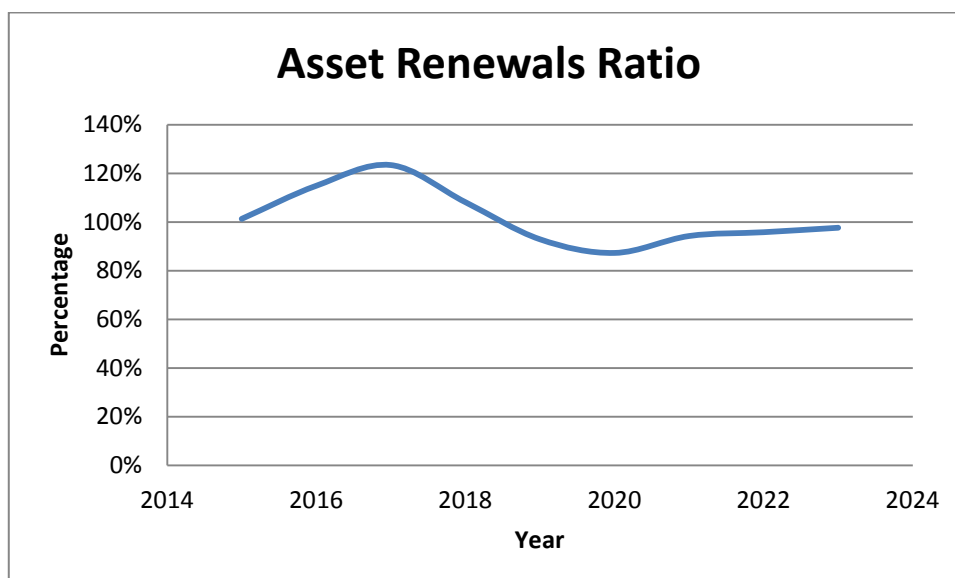
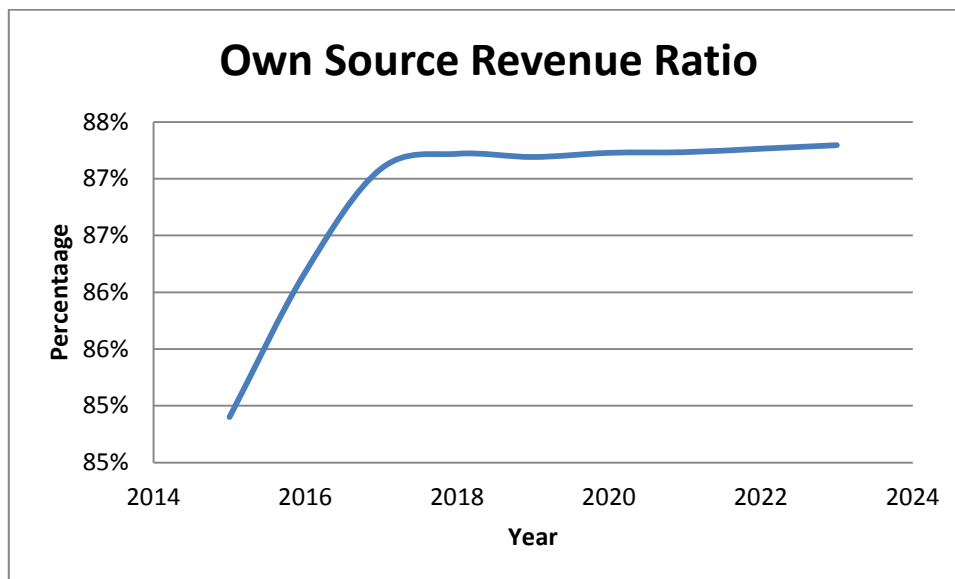
The Infrastructure Backlog drops initially based on the reported renewal expenditure of each council but then rises over the period being modelled, staying well above the 2% benchmark.

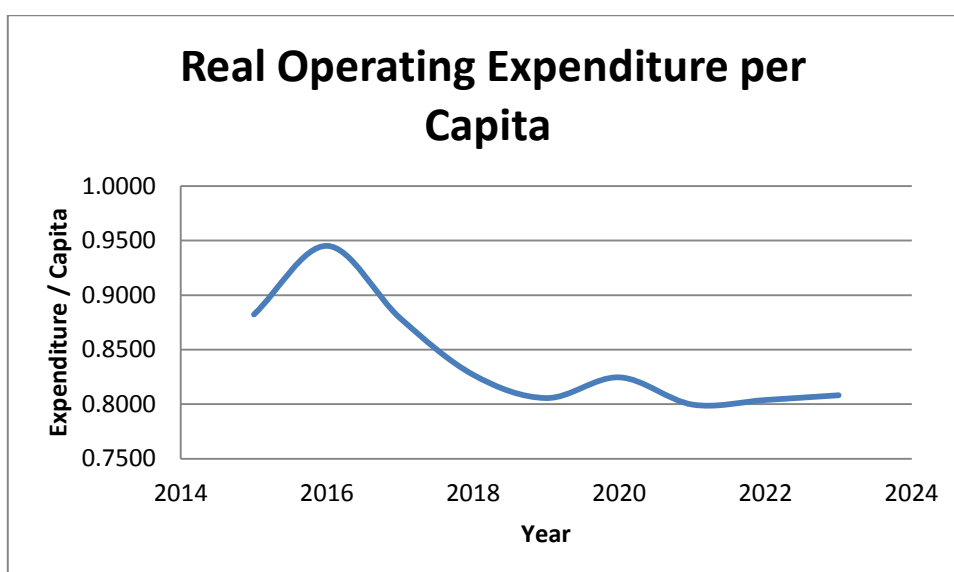
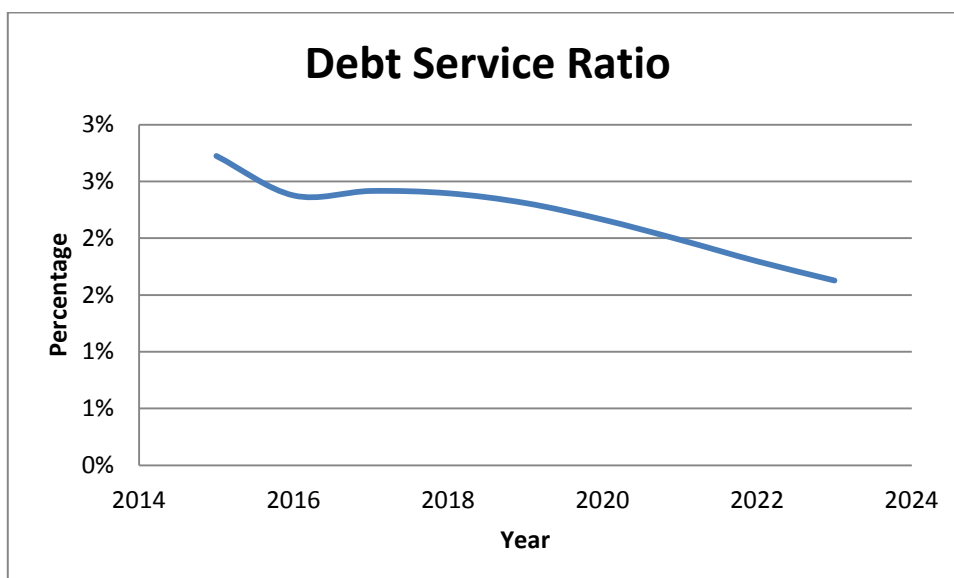
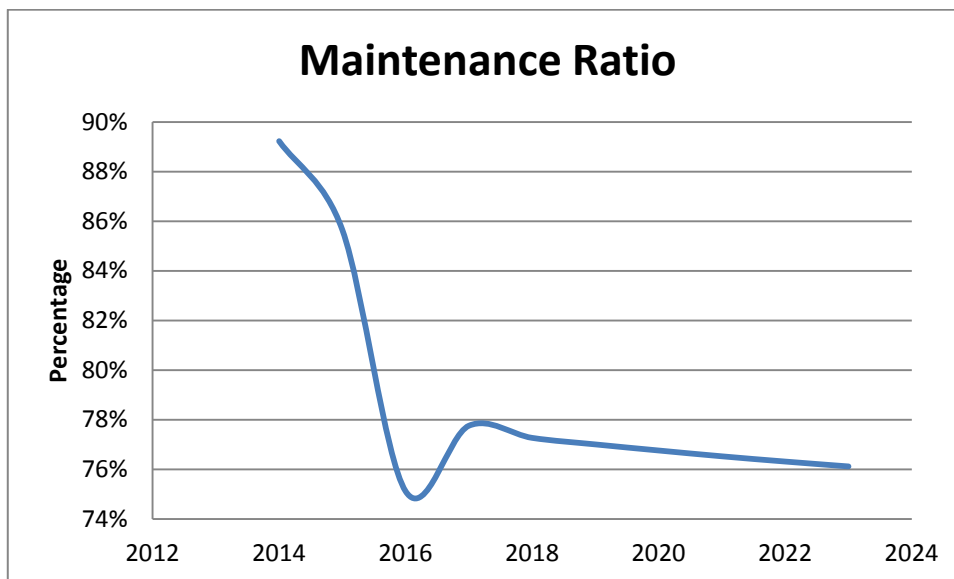
Of the Fit for the Future benchmarks, three (Own Source Revenue, Debt Service Cover and Asset Renewal) are met at the inception of the merged council entity, however one (Asset Renewal) fails to maintain the benchmark over time.

Table 26 Summary of inner west council using Fit for the Future indicators

Indicator	At Day One	Over Modelling Period
Operating Performance	Doesn't meet benchmark	Improves to satisfies the benchmark by 2019
Own Source Revenue	Already exceeds benchmark	Continues to exceed benchmark
Debt Service Cover	Already exceeds benchmark	Continues to exceed benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark during modelling period
Asset Renewal	Meets benchmark at commencement	Declines until falling below benchmark by 2018
Infrastructure Backlog	Doesn't meet benchmark	Doesn't meet benchmark
Real Operating Expenditure	Not applicable	Meets the benchmark







4.3.9.1 Asset Maintenance

The same approach to the calculation of required annual maintenance used for each individual council was applied to a merged inner west council to identify what, if any, gap in maintenance expenditure would exist. For the purposes of the modelling it is assumed that the combined expenditure on maintenance for the merged council is the total of the existing/predicted maintenance budgets.

Table 27 Merged council asset maintenance funding gap

Council	Actual Annual Maintenance	Estimated Required Maintenance	Gap
Inner West Council	\$23,487	\$33,902	-\$10,415

4.3.9.2 Asset Renewal

The required annual renewal expenditure for the inner west council is based on the combined calculation of the depreciation on building and infrastructure assets. For the purposes of the modelling it is assumed that the combined expenditure on building and infrastructure renewals for the merged council is the total of the existing/predicted renewal budgets for these assets.

Council	Average predicted annual renewals	Average required annual renewals	Gap
Inner West Council	\$41,382	\$43,177	-\$1,798

We have then calculated what the merged council would need to spend on additional renewals (i.e. over and above maintaining a 100% asset renewal ratio) to reduce the infrastructure backlog ratio to the benchmark within 5 years and set that out in the table below.

Table 28 Merged council renewal funding gap

Council	Cost to satisfactory	Target Backlog	Reduction Required	Per year (5 years)
Inner West Council	\$103,250	\$41,722	-\$61,528	-\$12,306

4.3.9.3 Funding shortfall

Table 29 Merged council asset funding gap

Council	Asset Maintenance	Renewals	Infrastructure Backlog	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Inner West Council	-\$10,415	-\$1,798	-\$12,306	-\$24,519	-\$12,213

4.3.10 Potential risks

The restructuring of any business activity is always a source of potential risk and the merging of council organisations is no exception. A proper risk assessment and mitigation process is an essential component of any structured merger activity.

Notwithstanding the above, this report is not intended to incorporate or deliver a detailed risk management strategy for any merger of the councils of the inner west. However it is possible to at least identify the major risks involved in the process from a strategic perspective.

Subsequent events and policy decisions

The primary risk is that the efficiencies projected in the business case are not delivered. This can occur for a variety of reasons however the highest risk is that subsequent events are inconsistent with the assumptions or recommendations made during the process.

Those events may arise from regulatory changes between analysis and delivery or subsequent policy decisions about service levels or priorities. As an example, a policy decision to adopt a “no forced redundancies” position after the statutory moratorium expires is unlikely to deliver on the financial savings proposed.

Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

4.3.11 Organisational Culture

It is difficult to compare the internal cultures of the council organisations in this exercise, as organisational culture is often combination of many different things, most of which are driven from leadership whether it be political or management. The leadership style or philosophy is leads to organisational behaviors or approaches which become the organisational norm helping define the culture. We know from past mergers and amalgamations that most organisations bring a unique culture often dominated by one or two characteristics (for example: pro development, environmental, customer driven, innovative, learning, team based, cost conscious, risk adverse or even siloed) that drive outward behaviours.

Intended cultures are articulated in organisational values which most organisations publish. Common themes amongst the organisational values in the inner west include:

- Strong communities
- Excellence
- Teamwork
- Engaging
- Sustainability
- Respect
- Innovative
- Efficient
- Fairness
- Accountability
- Integrity

There are no unique or potentially conflicting organisational visions or values amongst the inner west councils.

Customer satisfaction can be an indicator of whether some of these values or behaviours are being delivered. We note Marrickvilles most recent customer survey records ‘moderately-high’ overall community satisfaction with Council. Ashfield’s 2012 Community Satisfaction Survey identified overall community satisfaction with the Council as a professional organisation as 6.95.

Internal indicators of staff culture can be found in staff satisfaction surveys, staff turn-over, absenteeism (sick leave) and disputes. Staff absenteeism in Marrickville is trending down to 8 days average per annum, staff turn-over currently sits at approximately 10% and there were no reported disputes. Staff satisfaction averages 6.9 (out of 10) at Ashfield and 58% at Burwood.

By measuring training and development expenditure against both total expenditure and full time equivalent staff numbers we can assume that each of the councils has a similar approach to staff development, tempered by some variation in the actual numbers.

Each council spends less on training and development than industry bench marks. From 0.15% (City of Canada Bay) of total expenditure to 0.54% (Marrickville) all councils are well below the 1% of total expenditure that is considered the industry benchmark. The annual expense, per employee, ranges from \$361 to \$946 although the three median councils are consistent at around \$500 to \$600 per staff member.

These figures can be influenced by factors such as the maturity of the workforce and the fluctuating nature of total expenditure year on year and ideally, should be compared over time.

A further indicator is annual staff turnover. Not all councils reported this statistic however the three that did were reporting 9%, 10.7% and 11.8%, with an industry average indicated at around 9% turnover annually. Again, this is as much dependent upon the profile of the workforce as it is on corporate culture however it does identify some common ground.

Community Values

Although *community* values are quite specific to local needs and community aspirations, there are common themes that emerge from a comparison of the visions for their communities that are expressed by the councils.

The common themes that emerge, very consistently, among the councils’ community values are:

- Sustainability / environment
- Local economy
- People and places
- Leadership, governance and democracy
- Services

All of these elements of community vision are expressed differently however the underlying commonality is evident.

Corporate Values

Similarly, the two councils with accessible *corporate* values share some commonality in their key messages. The common elements are:

- Responsiveness
- Transparency
- Innovation

- Consultation/Communication
- Accountability

It would be fair to say that these are relatively common corporate values in any case.

Council policies

A desktop review of the policy registers of the councils highlights some interesting differences in the issues that have been given priorities (at some point in time) by the different councils. A couple of policies or focuses that stand out are:

- Marrickville has a Business with Burma Policy
- Leichhardt's purchasing policies include a Memorandum of Understanding with the Labor Council
- Leichhardt features both a public art policy and a Fair Trade Community Policy
- Marrickville has a clear arts and culture focus through a Cultural Policy, Arts Grants and Artist Exchange Policies
- Marrickville and City of Canada Bay have a strong focus on community engagement through the use of Citizen's Panels
- Leichhardt has a strong continuous improvement culture through its "Living within our means" program
- Ashfield has both a Culturally Diverse Society Principles Policy and a Recognition of Aboriginal Community Policy
- Marrickville has a strongly statement commitment to its LGBTIQ community

While we recognise policies change and reflect a position at a particular time they also reflect the organisational culture which is tasked with implementing them.

Size of councils

Organisational size can impact on culture in a range of ways, such as diversity of skills and workforce characteristics, level of specialisation vs multifunctional roles, capacity to undertake a greater range of functions and services, and partnership and advocacy capacity with other levels of government.

In the Inner West, a council such as Strathfield which has a very small size workforce, is considerably more constrained in its strategic capacity than a council the size of, say, Canada Bay, which has the size and capacity for greater specialisation of roles, diversity of functions and services, and detailed strategic planning down to a smaller precinct level.

In any merger there is likely to be a sense from the smaller councils that larger councils are taking over.

At present, a number of the councils in the Inner West are heavily and proactively engaged with the State Government on major infrastructure projects, such as WestConnex. This can change the focus of an organisation away from simple delivery of its own services, to a wider view of local governance and partnership in delivery of broader state and federal objectives.

5. SHARED SERVICES

The shared services scenario uses a theoretical design for shared services based on a concept originally put forward in the SSROC submission on Revitalising Local Government in March 2014. Based on our experience and taking into account the geography and nature of the councils, the greatest opportunities for shared services exist in the following areas:

- Technical services
- Works
- Support services – HR, IT, Finance

The scale and capacity created in relation to each of these service areas can, under the right circumstances, produce similar levels of efficiency as are available under the merged council scenario.

A number of assumptions have been made in order to model the likely impact of shared services:

- All councils will participate and the manner in which the service is established will provide for certainty and longevity of the arrangements. If there is any uncertainty over the continued operation of the shared service this will hamper investment of resources (people, time and funds) in the processes and systems that will generate the efficiencies
- Similar employment protection provisions apply as apply to the merged council
- A shared services provider would be separate from the individual councils and be a service provider to all councils
- The introduction of the shared services is likely to be staged
- Each council retains a 'smart buyer capacity' to ensure that the services purchased from the shared services provider are appropriate and are analysed / tested. This is assumed to include some contract managers as well as technical capability but does not increase the overall staff numbers across the councils and the shared services entity
- It is acknowledged that more detailed work to review the skills and capability of existing staff (particularly in works and technical services) is required to determine the type and range of services and activities that could actually be delivered
- In order to achieve similar levels of cost efficiency in the support services, like the merger option, a transition to a single IT platform and systems would be required
- The shared services provider would be able to provide services beyond the six 'parent' councils
- All costs and benefits arising from the establishment and operation of a shared services model would be borne by the six councils collectively regardless of the mode chosen for implementation

The governance and management of the shared services unit will be critical to success. As a service provider to the councils it will need both the technical and managerial capability to provide a high quality service to six different clients.

While our view is that the benefits are of a similar scale to that which could be achieved under a merger (within the relevant service areas) achieving the efficiencies is likely to be much more difficult as instead of a single organisation having a shared focus there will be seven entities within the arrangement.

There is also a mixed track record with implementing shared services, in particular in NSW and Australia where well known examples at state level have failed to deliver the expected savings

(e.g. Business Link). In contrast there are shared services models in other jurisdictions such as New Zealand where shared infrastructure services models operate (e.g. Capacity Infrastructure Services, Nelson/Tasman Regional Sewerage Business Unit and Manawatu/Rangitikei Shared infrastructure Services).

The table below sets out the likely estimated costs and benefits arising from shared services¹⁸. We have grouped the technical services and works together and dealt with support services separately. This highlights the impact the significant establishment costs associated with a shared support service has.

The costs of establishing a shared service for works and technical services is quickly recovered. In contrast the costs of a support shared service take a much longer period to be recovered and the risk of recovery is much higher when the track record in this regard is taken into account.

Table 30 - Estimated costs and benefits from shared services

Shared Services ('\$000)	Total Costs/Benefits (1 – 3 years)	Total Costs/Benefits (4 – 5 years)	Total Costs/Benefits (5-10 years)	Total savings/cost 10 years
Tech Services and Works	\$8,732	\$27,026	\$83,750	\$119,508
Support Services	-\$73,000	\$17,200	\$93,000	\$37,200
Total	-\$64,268	\$44,226	\$176,750	\$156,708

¹⁸ Refer to Appendix C for assumptions regarding costs and benefits of the merger scenario. Appropriate costs and benefits have been scaled as appropriate to the shared services model.

6. CONCLUSIONS

Fit for the Future requires councils to consider a small group of indicators that focus on assets and financial sustainability. It also requires councils to consider the merits of potential mergers through the same series of asset and financially focussed indicators. The councils of the inner west have quite rightly, in our view, looked at a wider series of indicators including the impact on representation and rates in order to understand which option provides the best outcome for their communities.

When considering such a wide range of information each council and community will, again quite rightly in our view, determine the relative weight that should be apportioned to each piece of information or indicator. This report does not reach an overall view as to whether an option or options provides the best outcome for any of the councils.

6.1 Status quo

The government has made it clear that the starting point for every council is scale and capacity. The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west councils. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

The table below provides a summary of the councils' performance against the benchmarks.

6.2 Modified status quo

In order to meet the Fit for the Future benchmarks each of the councils require an increase in revenue and/or a decrease in costs to address both an operating deficit (as judged against the Operating Performance Ratio criteria) and short and longer term infrastructure issues.

Some of the councils have begun this process through Special Rate Variations (Burwood – approved, Ashfield and Marrickville intended) while others have undertaken internal programs of efficiency review. The City of Canada Bay involved a Citizen Panel process to review levels of service to identify savings opportunities and revenue raising opportunities.

In all cases the funding gap identified in this report is not considered to be so large that it cannot be addressed by the councils through a combination of increased revenue and reduced costs. The table below identifies the extent of the funding gap to address the infrastructure benchmarks including bringing the infrastructure backlog to the benchmark of 2% within five years. After that the funding gap diminishes for each council.

Table 31 Summary of infrastructure funding gap

Council	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Ashfield	\$2,625	\$1,960
Burwood	\$3,511	-\$64
City of Canada Bay	\$3,129	\$1,252
Leichhardt	\$5,053	\$2,751
Marrickville	\$8,439	\$4,921
Strathfield	\$1,762	\$1,393

The table below identifies the average annual gap between operating revenue and operating expenditure (as per the Operating Performance ratio guidelines) over the time period within each council's LTFP. Each council will also need to address this in order to meet the benchmark.

Table 32 Operating performance funding gap

Council	Average gap
Ashfield	\$0
Burwood	\$.2M
City of Canada Bay	\$0
Leichhardt	\$0
Marrickville	\$0
Strathfield	\$2.8M

The process undertaken during this project identified a range of areas in which the councils can work together either through a shared services model as set out in this report or through some other collaborative working or procurement arrangement.

Even if the additional expenditure requirements set out above are achieved and a council meets all the Fit for the Future benchmarks, which logic would dictate means that scale and capacity has therefore been met, a council will still need to address the Government's starting point of scale and capacity first. The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

6.3 Inner west council

6.3.1 Scale and capacity

The independent panel recommendation was for a merger of the six councils of the inner west. Under the Fit for the Future reforms this means that the creation of an inner west council would satisfy the scale and capacity test.

There are multiple merger options in the inner west which will satisfy what appears to be the scale requirement of a population of 250,000 (based on the average size of council's not proposed for merger) by 2031 and would likely satisfy the criteria by which capacity is judged.

6.3.2 Fit for the Future benchmarks

The merged inner west council is the sum of its parts. This means that the debt service and own source revenue ratios are exceeded from day one and remain above the benchmarks throughout the period being modelled. This also means that while some efficiency benefits have been modelled in arising through the merger, the asset focus of the Fit for the Future benchmarks means that like the individual councils, the inner west council does not meet the asset related benchmarks. A funding gap in order to address the asset maintenance, asset renewal and infrastructure backlog ratios exists which is set out in the table below.

Table 33 Merged council asset funding gap

Council	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Inner West Council	\$24,519	\$12,213

The significant transitional costs identified throughout this report mean the operating performance ratio is negative from day one but improves to meet the benchmark over the period being modelled.

The table below summarised the merged council performance against the benchmarks.

Indicator	At Day One	Over Modelling Period
Operating Performance	Doesn't meet benchmark	Improves to satisfies the benchmark by 2019
Own Source Revenue	Already exceeds benchmark	Continues to exceed benchmark
Debt Service Cover	Already exceeds benchmark	Continues to exceed benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark during modelling period
Asset Renewal	Meets benchmark at commencement	Declines until falling below benchmark by 2018
Infrastructure Backlog	Doesn't meet benchmark	Doesn't meet benchmark
Real Operating Expenditure	Not applicable	Meets the benchmark

6.3.3 Debt

The debt levels of the councils of the inner west are low. All councils are well below the debt service ratio and the same is true for the merged council. Typically, the consolidation of debt in a merger can be a community issue as a community with little or no debt may perceive as unfair having to repay debt that 'belongs' to other communities and other community's assets. While debt levels are low there are still differences and most notable between the councils who have little or no debt (Strathfield and City of Canada bay) and those who have more moderate debt levels such as Marrickville, Leichhardt and Burwood.

6.3.4 Rates

Modelling the changes in rates in a merger is very difficult to do with any degree of accuracy. Presently there are a number of significant differences in the rating systems of the councils which impact on the rates charged to an individual property. The key examples are that some have base rates and others a minimum rate as well as large variations in the proportion of rates borne by business and residential rate payers. For example in Canada Bay businesses bear 14% of the rates whereas in Marrickville that proportion rises to 40%. Currently Leichhardt has the highest average residential (\$1,199) and business rates (\$7,051). In comparison Marrickville has the lowest average residential rate (\$855) and City of Canada Bay the lowest average business rate (\$2,822).

A merged council would ultimately set a single rating system across the inner west and regardless of the approach there would be some properties where rates would rise and others where rates would reduce. A key driver for this would be land value and residents with comparatively high value properties would bear a higher proportion of the rates.

Changes to the average business and average residential rates are modelled using an entirely ad valorem and then a base rate scenario to represent a range of potential impacts that could be expected.

Under a merger of the inner west the average residential rate would increase in Leichhardt, City of Canada Bay and Strathfield under an entirely ad valorem system where land value is the sole determinant. Average residential rates would reduce in all other areas. The introduction of a base rate changes the council areas affected and the average residential rate would rise in City of Canada Bay, Marrickville and Strathfield. Under both scenarios the average business rate would reduce in both Leichhardt and Marrickville while increasing in all other council areas.

6.3.5 Environmental

The comparison of the Community Strategic Plans highlighted the environment as a common theme across all the councils. While the review of the LEPs of the councils identified some different approaches and differing levels of relative importance for the natural and built environment, this is within the context of communities that all appear to place a high value on the environment and the sustainable use of the natural environment.

As a result the environmental indicators selected do not in our view demonstrate any significant differences between the merged council and the individual councils.

6.3.6 Representation

Perhaps the single biggest negative impact from the merger of the inner west is on representation. The number of people represented by each councillor will increase significantly making it more difficult for residents to access their councillors and the council. Based on the

current maximum of 15 councillors each of those would represent 22,000 residents which does not compare favourably to a little over 6,800 in Marrickville currently.

While measures can be put in place to address a loss of representation through local or community boards at present the government has not set out in detail any proposal that the community could consider.

6.3.7 Community profile and communities of interest

The inner west is characterised by both similarities and differences. The communities of the inner west have a higher levels of education, are more multicultural than greater Sydney and combined together has a relatively high level of employment containment. There is also a common dependence and connection to the City of Sydney.

However there are also a number of differences. Strathfield's population density is significantly lower than the other areas and much closer to the areas to its west such as Parramatta, Auburn and Holroyd. Burwood has a higher level of socioeconomic disadvantage and the factors that make this up including lower household income whereas City of Canada Bay and Leichhardt are in the highest wealth cluster of council areas in NSW¹⁹.

Ultimately the question is whether a merged council could adequately represent the different communities of interest in the inner west and at this time the question needs to be considered alongside the significant reduction in representation.

6.3.8 Costs and benefits of the merger

The costs and benefits of the merger arise throughout the period being modelled. The costs and benefits should not be considered in isolation. They only form part of the information on which a decision should be made and in particular they should be considered in conjunction with the infrastructure funding gap identified above.

Initially in the transition from six councils into one there are costs associated with creating the single entity (structure, process, policies, systems and branding), costs continue to arise through redundancies of senior staff and the implementation of a single IT system across the new council which has significant cost implications. Costs of the merger continue to arise in the medium and longer term largely from redundancy costs (one off) but increasingly from an overall increase in staff numbers which is typical of merged councils and considered to arise as a result of increased services and service levels.

Benefits initially arise in the short through the reduction in the number of senior staff and Councillors required in comparison to the six councils combined. Natural attrition is initially applied meaning that overall staff numbers fall in the short term. Savings are also projected to arise in relation to procurement and operational expenditure due to the size and increased capacity of the larger council. In the medium and longer term benefits arise through reducing the overall staff numbers with a focus on removing the duplication of roles and creating greater efficiency in operations, outsourcing waste collection to a single regional contract and the rationalisation of buildings and plant (one off).

¹⁹ National Institute of Economic and Industry Research, New South Wales Local Government Areas: Similarities and Differences, March 2013

The NPV of the costs and benefits over the period being modelled (2023²⁰) has been calculated and set out below.

Table 34 Summary of costs and benefits

NPV at 4%	NPV at 7%	NPV at 10%
\$173 million	\$143 million	\$119 million

6.3.9 Risks arising from merger

There are significant potential risks arising from the merger both in a financial and non-financial sense. The obvious financial risks are that the transitional costs may be more significant than set out in the business case or that the efficiencies projected in the business case are not delivered. The business case is high level and implementation costs and attaining the benefits will be difficult to achieve.

If, for example, the council chooses not to follow through with the projected efficiencies, this will affect the financial viability of the merged council. Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

Careful consideration of the issue of cultural integration will be required and the most consistent remedy to these particular risks is in our view strong and consistent leadership. Corporate culture misalignment during the post-merger integration phase often means the employees will dig in, form cliques, and protect the old culture. In addition to decreased morale and an increased staff turnover rate, culture misalignment reduces business performance. It also prolongs the time it takes for the predicted efficiencies to be achieved.

The integration of services with differing service levels often leads to standardising those service levels at the highest level of those services that are being integrated. This is quite often a response to a natural desire to deliver the best possible services to communities as well as the need to balance service levels to community expectations across the whole area. However it does pose the risk of increased delivery costs and/or lost savings opportunities. Similarly, introducing services that are not currently delivered in one or more of the former council areas to the whole of the new council area will incur additional costs.

²⁰ 2023 is the period being modelled to match the time covered by all Council LTFPs

APPENDIX A Fit For The Future Benchmarks²¹

Operating Performance Ratio

*Total continuing operating revenue (exc. capital grants and contributions)
less operating expenses*

Total continuing operating revenue (exc. capital grants and contributions)

Description and Rationale for Criteria:

TCorp in their review of financial sustainability of local government found that operating performance was a core measure of financial sustainability.

Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.

Operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements.

Description and Rationale for Benchmark:

TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a 3 year period.

Own Source Revenue Ratio

Total continuing operating revenue less all grants and contributions

Total continuing operating revenue inclusive of capital grants and contributions

Description and Rationale for Criteria:

Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.

Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.

²¹ Office of Local Government Fit for the Future Self-Assessment Tool

Description and Rationale for Benchmark:

TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.

It is acknowledged that many councils have limited options in terms of increasing its own source revenue, especially in rural areas. However, 60 per cent is considered the lowest level at which councils have the flexibility necessary to manage external shocks and challenges.

Debt Service Ratio

Cost of debt service (interest expense & principal repayments)

Total continuing operating revenue (exc. capital grants and contributions)

Description and Rationale for Criteria:

Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.

Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.

Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.

Council's effectiveness in this area is measured by the Debt Service Ratio.

Description and Rationale for Benchmark:

As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than 0 and less than or equal to 20 per cent.

Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

Asset Maintenance Ratio

$$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$$

Description and Rationale for Criteria:

The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.

The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

Description and Rationale for Benchmark:

The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.

Given that a ratio of greater than one hundred percent is adopted, to recognise that maintenance expenditure is sometimes lumpy and can be lagged, performance is averaged over three years.

Building and Infrastructure Renewal Ratio

$$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$$

Description and Rationale for Criteria:

The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.

This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

Given that a ratio of greater than one hundred percent is adopted, to recognise that capital expenditures are sometimes lumpy and can be lagged, performance is averaged over three years.

Infrastructure Backlog Ratio

$$\frac{\text{Estimated cost to bring assets to a satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets}}$$

Description and Rationale for Criteria:

The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.

It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.

This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.

TCorp adopted a benchmark of less than 2 per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

Reduction in Real Operating Expenditure

Description and Rationale for Criteria:

At the outset it is acknowledged the difficulty in measuring public sector efficiency. This is because there is a range of difficulty in reliably and accurately measuring output.

The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.

It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively Councils:

- can realise natural efficiencies as population increases (through lower average cost of service delivery and representation); and
- can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).

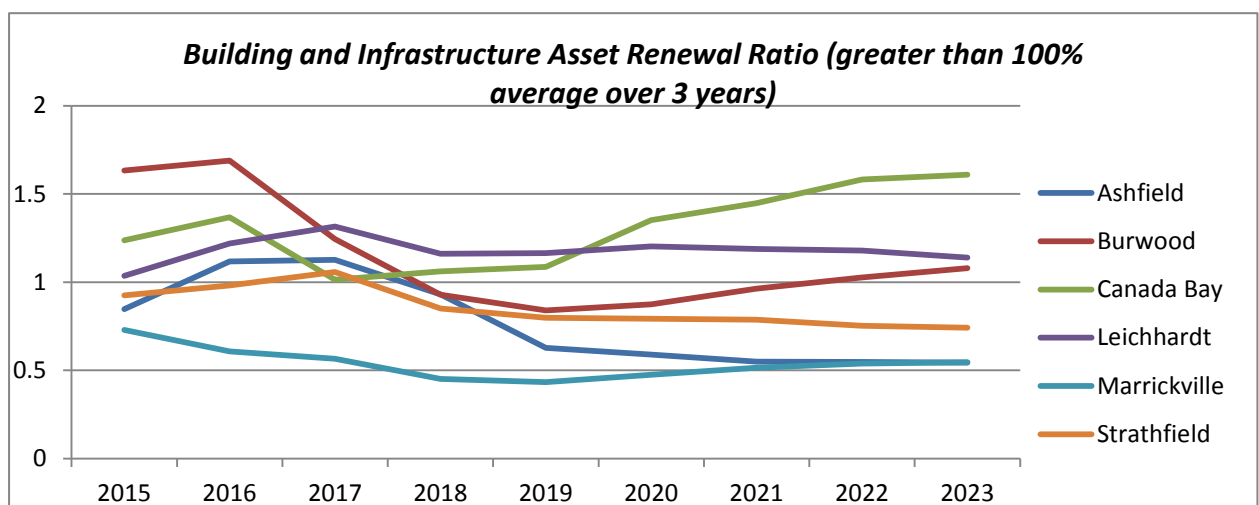
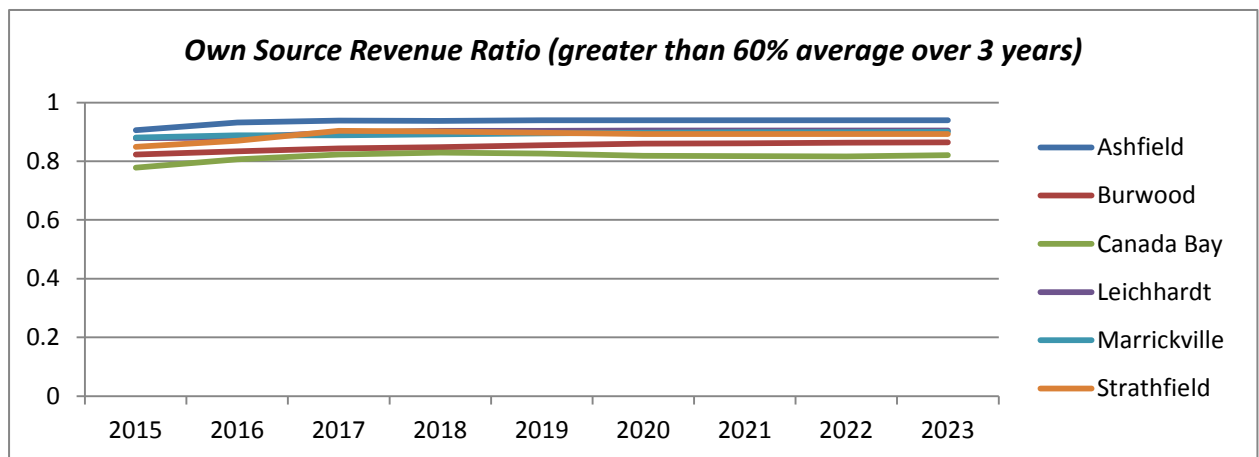
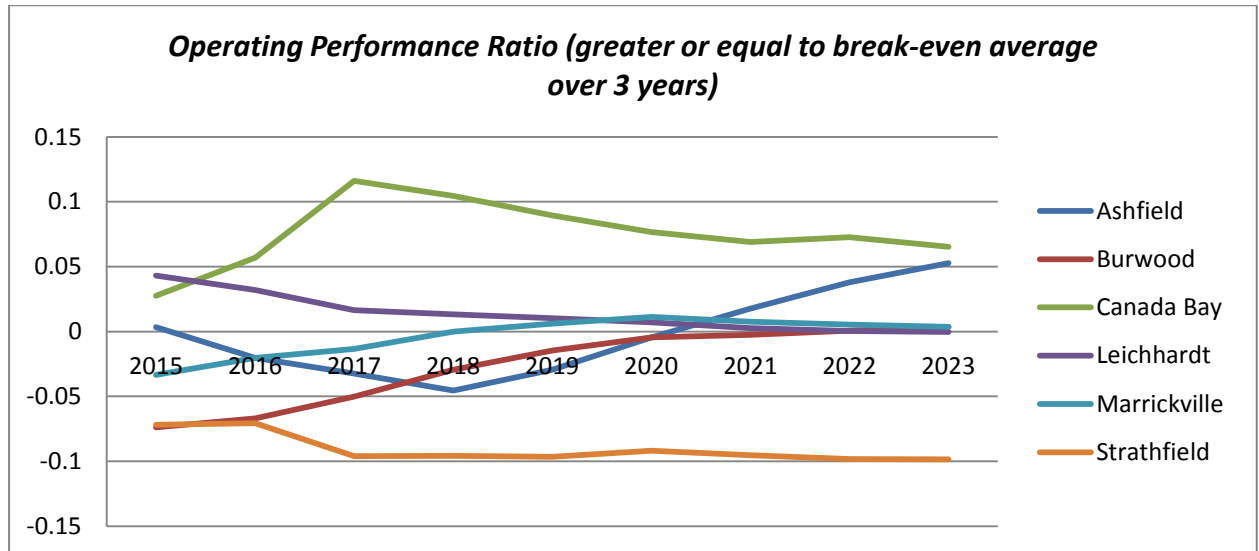
Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).

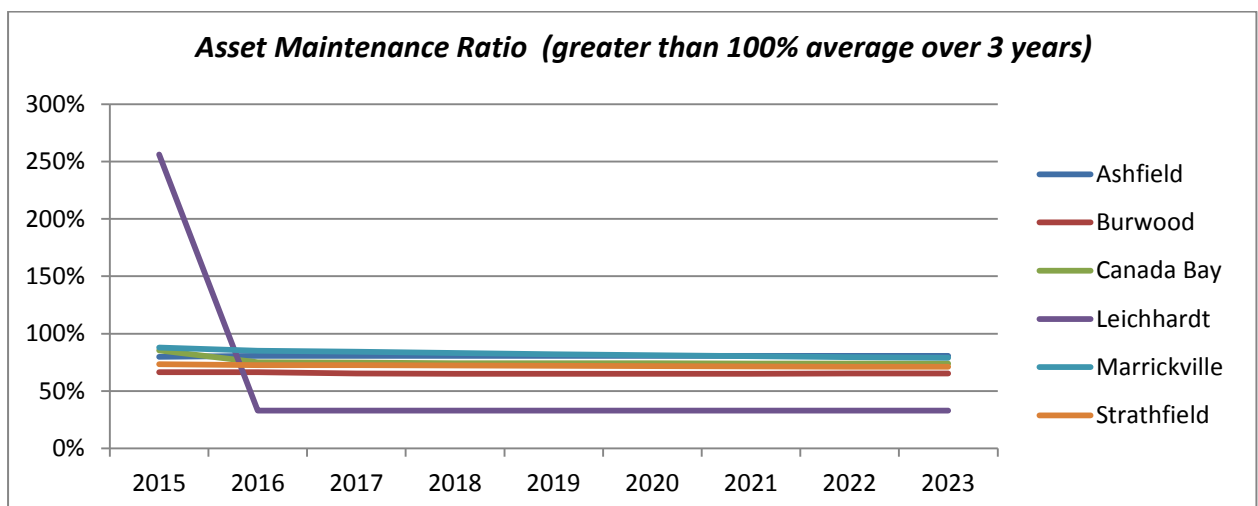
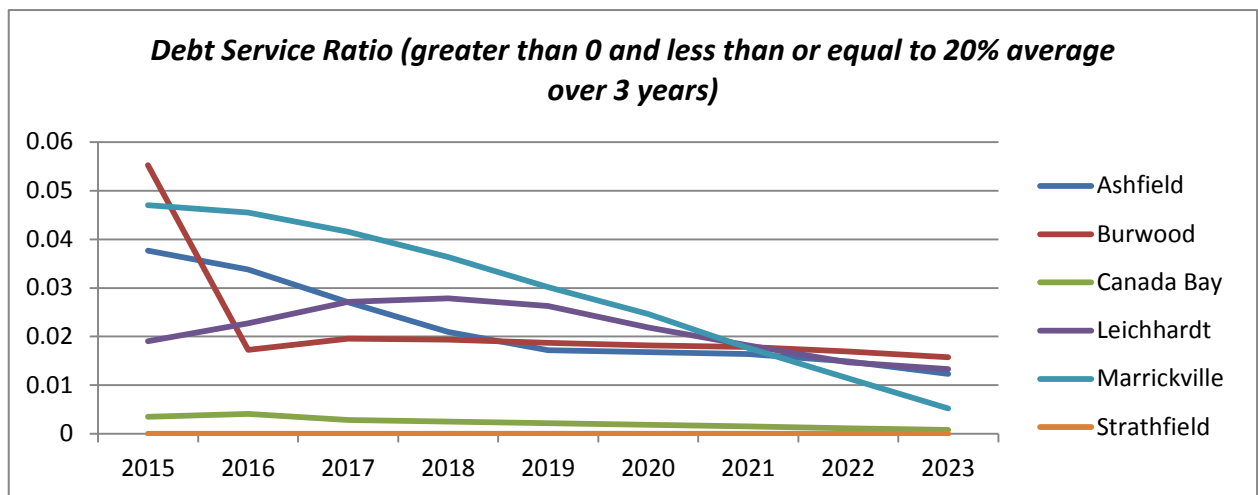
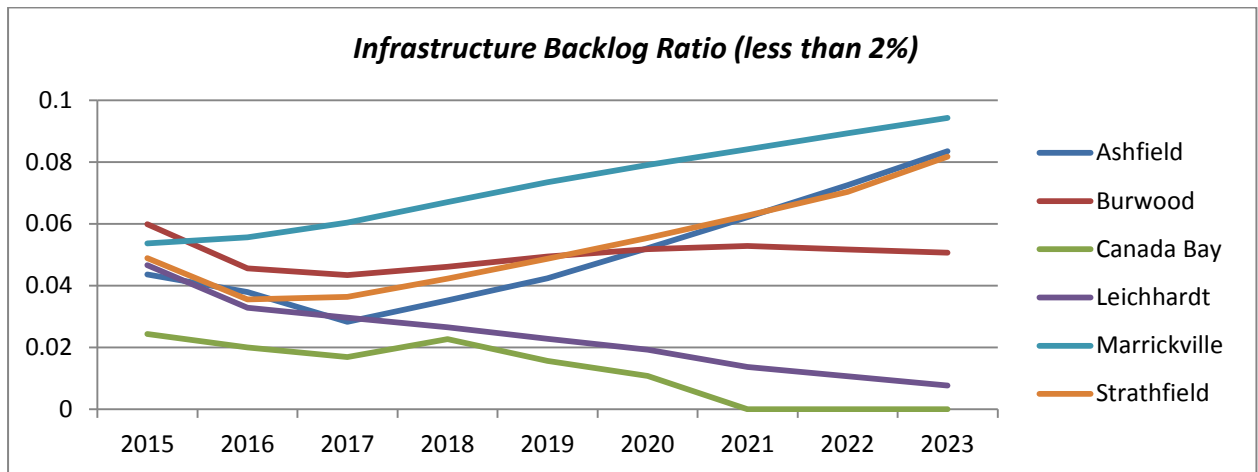
Description and Rationale for Benchmark:

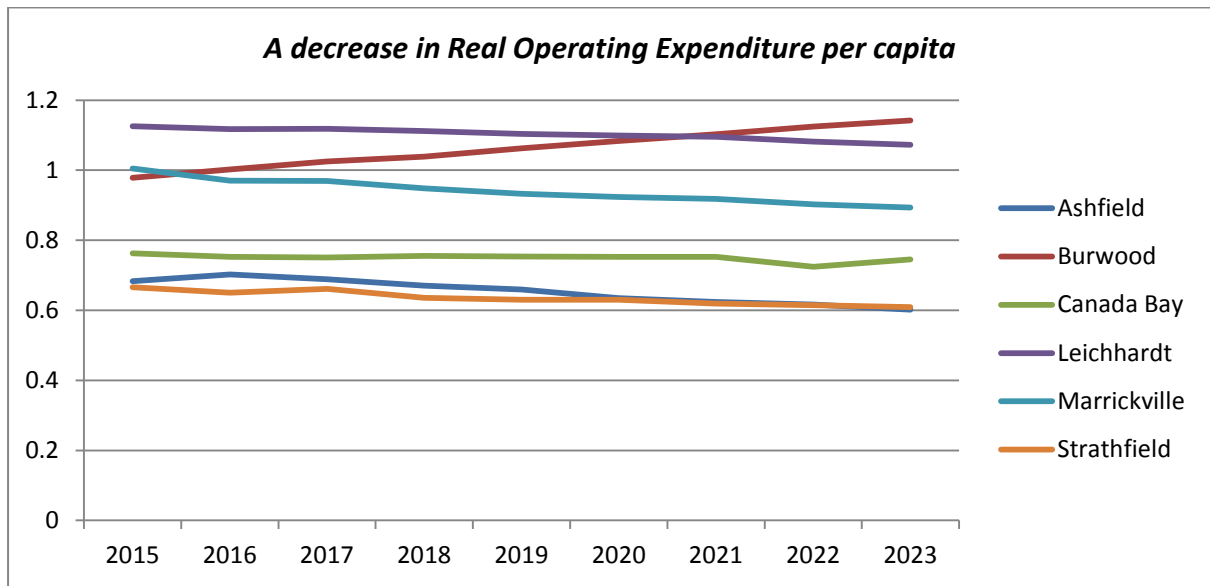
The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by the Independent Pricing and Regulatory Tribunal (IPART). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community, in the context of their development of their Integrated Planning and Reporting.

Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a 5-year trend.

APPENDIX B Combined Status Quo Assessment against the Fit for the Future Benchmarks







APPENDIX C Costs and benefits arising from a merger of the inner west – detailed assumptions

Costs and benefits identified below form the basis of the modelling referred to throughout the report.

Assumptions have been made using the best available information including analysis of various reports on and estimates of merger costs in other similar situations. This has been supplemented with professional opinion of Morrison Low staff based on experience including with the Auckland Transition Authority.

Costs are one off unless stated otherwise whereas benefits continue to accrue each year unless stated otherwise.

1 Governance and executive team

The formation of a new entity is likely to result in some efficiencies resulting from a new governance model and rationalisation of the existing executive management teams. For the purposes of this review the governance category includes the costs associated with elected members, Council committees and related democratic services and processes, and the executive team.

The table below summarises the expected efficiencies together with the associated timing for governance.

	Staff	Duplicated Services	Elected Members	On Costs
Transition Period	Nil	Nil	Nil	Nil
Short Term (1 to 3 years)	Streamlined Management (General Managers and Directors) Natural attrition (voluntary)	General Managers, Directors, Mayoral/CEO support Council/Committee Secretarial Support	Reduced councillors and remuneration	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management and staff Sinking Lid (voluntary)			Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)				

1.1 Governance (\$1.1 million)

The formation on a new entity is expected to result in efficiencies resulting from a new governance model and a reduction in the number of existing Mayors and Councillors. However, this will depend directly on the adopted governance structure including the number of councillors. Estimated governance costs for the new entity have been based on the Lord Mayor and Councillor fees and expenses of the City of Sydney as reported in the Annual Report 2014. The Independent Review Panel has envisaged a full time Mayor and there will be higher costs

associated with such a role than the current Mayor and Councillors of the inner west receive. It is assumed that there would be 14 Councillors and a Mayor.

The total governance costs across the councils is \$2.2 million based on the respective councils Annual Reports 2013/14 and based on the City of Sydney governance costs (Lord Mayoral Annual fee, councillors fees and expenses incurred), there is the potential ongoing efficiency of \$1.1 million.

1.2 Executive management (\$3.8 million)

The formation of a single entity is likely to result in efficiencies due to an overall rationalisation in the total number of executive managers required at the Tier 1 (General Managers) and Tier 2 (Directors). Revised remuneration packages for the new General Manager and Directors for the new entity have been informed and assumed to be similar to that of the Blacktown City Council executive remuneration packages since Blacktown is of a similar size and scale to that of the proposed new entity.

The General Managers total remuneration for the councils was \$1.67 million, based on the councils' respective Annual Reports 2013/14, and the amalgamation to a single entity with a single General Manager has the potential saving of approximately \$1.3 million.

In addition there would be a rationalisation of the existing director positions, based on the Annual Reports there are 17 such positions across the councils with a combined remuneration of \$3.8 million based on the Annual Reports 2013/14. Assuming that the new entity has five director positions, the estimated savings are in the order of \$2.5 million.

It is important to note that while ongoing efficiencies of \$3.8 million have been identified effective from the short term, there is the one off cost of redundancies of approximately \$2.7 million that in our experience is a cost incurred during the transition period. This redundancy cost is based on 38 weeks.

1.3 Rationalisation of services

Under a single entity a number of the existing governance services would be duplicated and there would be an opportunity to investigate rationalising resourcing requirements for a single entity and realise efficiencies in the medium term.

As an example the councils currently have the resources necessary to support the democratic services and processes including council and committee agendas and minutes. Under a new entity there is likely to be a duplication of democratic resources and the new entity would need to determine the number of resources required to deliver this service.

Based on our previous experience one would expect resource efficiencies of between 40 and 60%. The reduction in resources is only likely to occur in the medium term due to the form of employment contracts, however having said that there is the potential not to replace positions vacated in the short term if they are considered to be duplicate positions under the new entity (natural attrition policy). The expected efficiencies relative to this area are realised in the Corporate Services Section.

2 Corporate services

In the formation of a new entity there is likely to be a reduction in staffing numbers across the corporate services in the medium term. The corporate services incorporates most of the organisational and corporate activities such as finance and accounting, human resources, communication, information technology, legal services, procurement, risk management, and records and archive management. Across the six councils there is likely to be some element of duplication so there should be efficiency opportunities as it relates to administrative processes and staffing levels.

The potential opportunities for efficiency within the corporate services category are summarised in the table below along with the indicative timing of when the efficiency is likely to materialise.

	Staff	Duplicated Services	Contract/ Procurement	Information Technology	On Costs
Transition Period	Sinking Lid (voluntary)	Finance ICT Communication			
Short Term (1 to 3 years)	Sinking Lid (voluntary)	Human Resources Records Customer Services			Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management (Tier 3) Sinking Lid (voluntary)	Risk Management			Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)					

2.1 Rationalisation of duplicate services (\$6 million)

Consistent with the dis-establishment of six councils and the creation of a single entity, there are a number of back office duplicated services that would be replaced, standardised and simplified. The rationalisation and streamlining of back office services means that there would be an opportunity to rationalise financial reporting, business systems, administrative processes and staff numbers. Examples for the rationalisation of corporate services include:

- Finance - A reduction in finance service costs with the rationalisation of financial reporting and financial planning with a single, rather than six Resourcing Strategies, Long Term Financial Plans, Asset Management Strategies, Workforce Management Plans, Annual Plans and Annual Reports needing to be prepared, consulted on and printed. In addition the centralisation of rates, accounts receivable, accounts payable and payroll, including finance systems will reduce resourcing requirements and costs.
- Human Resources (HR) – The size of the HR resource would be commensurate with the number of FTEs in the new entity based on industry benchmarks. The number of HR resources would be expected to reduce proportionately to the reduction in organisational staff numbers.
- Communications – The resourcing would be expected to reduce since there would be a single website and a more integrated approach to communication with less external reporting requirements.

- Customer Services – No reduction in the ‘front of house’ customer services has been assumed on the basis that all existing customer service centres would remain operative under a single entity and the existing levels of service would be retained. However there is potential to reduce the number of resources in the ‘back office’ such as the staffing of the call centre.

The potential efficiency in the corporate services category is difficult to determine largely due to the fact that ICT accounts for a large cost through the transition into the new entity both in terms of resources and actual cost. However it is expected that ICT would be implemented in the medium term and due to existing employment contracts, the corporate service efficiencies would therefore only be realised in the medium term. The assumption underpinning the efficiency for corporate services is a 35%²² reduction in corporate support personnel that has an estimated saving of \$6 million. On costs are considered to be included as the figure used are based on total employee costs as reported by the councils.

There is the potential to reduce FTE numbers in the short term through not replacing positions vacated if they are considered to be duplicate positions through the transition and under the new entity (natural attrition policy). Following the end of the natural attrition period redundancies would be applied to reduce staffing levels outlined above.

In order to achieve the opportunities identified would require detailed scoping, investigation and ownership to ensure that they are implemented and realised post amalgamation. The development of a benefit realisation plan would quantify the cost of implementing any identified efficiencies and establish when such efficiencies are likely to accrue.

Redundancy costs have been modelled based on an average of 26 weeks²³

3 Areas for further efficiency

Based on the experience from previous amalgamations in local government there are other areas where we would expect there to be opportunity to achieve efficiencies. These areas include management, staff turnover, procurement, business processes, property / accommodation, waste and works units.

	Staff	Duplicated Services	Contract/ Procurement	Information Technology	On Costs
Transition Period					
Short Term (1 to 3 years)	Staff Turnover	Property/ Accommodation, Works Units	Printing, stationary, ICT systems/ licences, legal	ICT Benefits	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management (Tier 3 & 4)	ICT Resourcing	Waste	ICT Benefits	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)					

²² Securing Efficiencies from the Reorganisation of Local Governance in Auckland, Taylor Duigan Barry Ltd, October 2010

²³ The Local Government (State) Award provides a sliding scale for redundancy pay-outs from 0 for less than 1 year, 19 weeks for 5 years and 34 weeks for 10years. An average of 26 weeks has therefore been used throughout.

3.1 Management tier 3 and 4 (\$9.3 million)

The Auckland amalgamation resulted in an FTE reduction of almost 60%² across the total Tier 1 through to Tier 4 positions. While Section 1 addresses the Tier 1 and Tier 2 efficiencies, there is further opportunity for efficiencies in regard to the Tier 3 and Tier 4 managerial positions although these would only be realised in the medium term.

The extent of efficiencies for Tier 3 and Tier 4 is directly dependent on the organisational structure of the new entity, types of services and the manner in which these services are to be delivered in the future, i.e. delivered internally or contracted out. On the basis that six councils are being disestablished and a single entity created, the assumption is that there will be at least a 15% reduction across the existing Tier 3 and Tier 4 positions achieving an ongoing efficiency of \$9.3 million on remuneration and on costs.

Following the end of the natural attrition period redundancies would be applied to reduce staffing levels outlined above

3.2 Staff Turnover (\$5.85 million)

The industry average staff turnover is approximately 9% and on the basis that the new entity adopts a 'natural attrition' policy not to fill positions in the short term, there is an estimated annual efficiency of \$5.85 million on staff remuneration. It is assumed that core and front line positions would be replaced where necessary meaning an overall reduction in staff of 4.5% per annum.

3.3 ICT Benefits (\$10 million)

Without a full investigation into the current state of the six councils ICT infrastructure and systems, and without an understanding of the future state the ICT benefits cannot be quantified at this stage. However benefits would include improved customer experience, operational cost saving and reduced capital expenditure, higher quality of IT service and increased resilience of service provision. It is also necessary to model a value for the benefits to balance the costs that have been allowed for in the transition.

The operational cost savings and reduction of capital expenditure would be as a direct result of rationalising the number of IT systems, business applications, security and end user support from six councils to a single entity. The cost of IT and the number of staff resources required to support it would be expected to decrease over time. FTEs are assumed to reduce by 40%¹ over time in line with reduced IT applications and systems. Without the ICT FTE remuneration for the six councils, the 40% efficiency is unable to be determined at this time.

Through the work undertaken as part of the Wellington reorganisation, Stimpson and Co have undertaken a sensitivity analysis on the ICT costs for two options and based on an ICT cost of \$90 million have estimated the Net Present Value at \$200 million and payback period of 5 years. Without a detailed investigation of systems, processes and the future state of the IT system and support it is not considered possible to model the benefits as arising at a similar rate however to retain consistency with the estimated costs and the basis for them benefits have been modelled as arising over the long term and a rate of \$10M per annum.

Sensitivity Analysis

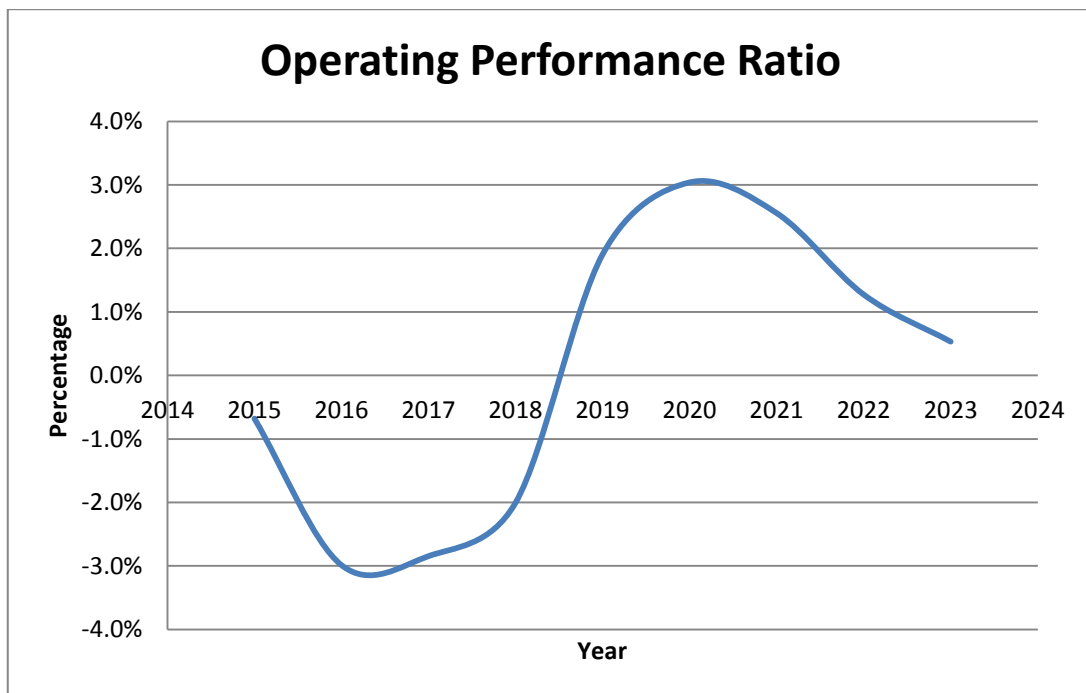
Due to the high level of uncertain associated with the realisation of IT benefits one additional scenario has been modelled to demonstrate the overall impact on the financial sustainability of the IT benefits being realised.

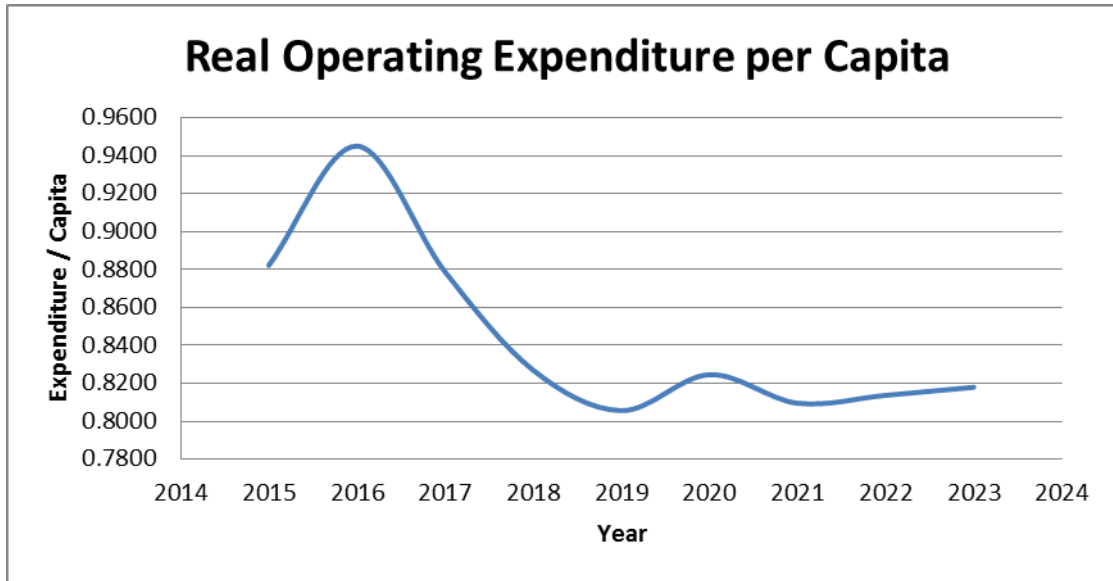
The impact on the merged council is set out by reference to the Operating Performance Ratio and a summary of the Financial Impacts.

Benefits at 50%

Realising only 50% of the IT benefits affects the merged council's operating performance by approximately \$5 million per annum from 2021 and real operating expenditure per capita.

While the graphs below demonstrate a profile similar to the 100% savings scenario, the impacts on the operating result from 2021 are marginally worse and in 2023 sees a negative operating result before grants and contributions for capital purposes.





Income Statement	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Source: Council Financial Statements and Long Term Financial Plan	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Rates & Annual Charges	210,210	220,688	236,493	243,588	250,895	258,422	263,788	271,702	276,633	284,932	293,480
User Fees & Charges	56,200	59,850	63,555	65,220	66,981	68,763	70,647	72,583	74,571	76,615	78,714
Grants & Contributions - Operations	27,874	22,262	28,237	27,779	28,418	29,072	29,740	30,425	31,124	31,840	32,572
Grants & Contributions for Capital	34,193	37,628	22,949	22,577	23,096	23,627	24,171	24,727	25,296	25,877	26,473
Interest and Investment Income	14,775	11,708	9,485	9,864	3,857	3,857	3,857	3,857	3,857	3,857	3,857
Gains from disposal assets	338	142	1,653	1,626	1,664	1,702	37,862	2,612	2,672	2,733	2,796
Other Income	31,590	31,385	27,617	27,169	27,794	28,433	29,087	29,756	30,441	31,141	31,857
Total Income	375,180	383,663	389,989	397,824	402,706	413,877	459,153	435,661	444,594	456,995	469,749
Income excl Gains\losses	374,842	383,521	388,336	396,198	401,042	412,175	421,291	433,049	441,922	454,262	466,953
Income excl Gains\losses & Capital Grants	340,649	345,893	365,387	373,621	377,946	388,548	397,120	408,322	416,626	428,385	440,480
Expenses											
Borrowing Costs	3,136	2,916	3,092	3,247	3,409	3,579	3,758	3,946	4,144	4,351	4,568
Employee Benefits	150,279	156,556	167,472	161,997	160,377	158,774	160,079	168,883	178,172	187,971	198,310
Gains & losses on disposal	734	63	-	-	-	-	-	-	-	-	-
Depreciation & Amortisation	49,000	47,306	50,709	52,460	54,222	54,553	56,231	57,960	59,743	61,581	63,475
All other Expenses	140,303	147,838	140,470	183,239	168,036	159,077	159,356	171,506	167,051	172,062	177,224
Total Expenses	343,452	354,679	361,743	400,943	386,045	375,983	379,424	402,295	409,110	425,966	443,577
Operating Result	31,728	28,984	28,246	- 3,119	16,661	37,894	79,729	33,366	35,484	31,030	26,172
Operating Result before grants & contributions for capital purposes	- 2,465	- 8,644	5,297	- 25,696	- 6,435	14,267	55,558	8,639	10,189	5,152	- 301

3.4 Materials and contracts (\$2 – \$3.4 million)

The opportunity for efficiencies in procurement is created through the consolidation of buying power and the ability to formalise and manage supplier relationships more effectively when moving from six councils to one. An estimate needs to take into account that the councils currently engage in some collective procurement including through SSROC shared and panel contracts but that the process also identified a large number of services contracted out by the councils which are not aligned or co-ordinated.

The increased scale and size of the infrastructure networks managed by the inner west council would in our view lead to opportunities to reduce operational expenditure through making better strategic decisions (as distinct from savings arising from procurement).

Based on the analysis during the project and our experience the combined savings have been modelled in the short term at 3% and rising to 5% over the medium and longer term.

3.5 Properties (\$29 million – one off)

There is an opportunity to rationalise and consolidate the property portfolio through assessing the property needs of the new entity and disposing of those properties no longer required for council purposes. The rationalisation of buildings in the first instance is likely to be corporate accommodation associated with the reduction in staff, other obvious areas would include the work depots (refer to Section 3.7).

The councils have a combined buildings portfolio of over \$530M and for the purposes of modelling the merged council it is assumed that the council would dispose of 5% of the building assets in the medium term. In the longer term savings in properties are achievable but should be carried out in a more strategic manner across the combined entity.

3.6 Waste (\$3.5 - \$8.1 million)

The six councils currently provide their waste collection services through different delivery models. Strathfield, Marrickville and Leichhardt are undertaking some or all of the waste collection services in-house whereas Canada Bay, Burwood and Ashfield outsource the collection of waste.

Waste collection is a high profile service and in our experience the service can be delivered at a lower cost under contract. Recent examples in metropolitan Sydney have demonstrated the scale of savings available by moving to collective contracts. The combined St George Council waste and recycling contract has generated savings in the order of \$4.6M per annum²⁴ from a smaller population base than the inner west (230,000 compared with 336,000 in the inner west).

It is assumed that the merged council will move to outsource the waste and recycling function under a single collection contract over time.

Savings have been modelled in two stages, the first initial stage of moving to outsourcing all waste services and then from moving to a single collection contract. Savings arising from moving to outsourcing the waste have, in the absence of detailed analysis of each council's service costs, been modelled using the differences between the respective councils domestic

²⁴ St George Regional Collection Contract, Presentation to Waste 2014 Conference, Major Projects Guidance for Local Government by Maddocks and Ernst and Young

waste charges²⁵. In this case the approach is considered reasonable as the councils have a similar level of service and the charge is considered to reliably include all operational costs. The saving arising from outsourcing the collection services is assumed to be 60% of the difference between the average domestic waste charge of the councils who outsource all waste collection services and the current total domestic waste charge (\$3.5M).

Redundancy costs have again been modelled based on an average of 26 weeks with an assumption on the number of affected staff at Strathfield made based on the relative proportion of staff involved in waste services in the other councils.

Savings arising from a single collection contract have been conservatively modelled at the same level as the St George Contract (\$4.6M per annum) despite the larger population base of the inner west.

Waste services are funded through the waste charge which covers all operational expenditure on waste services. A reduction in the cost of the waste collection services therefore leads to a reduction in the waste charge and reduced income for the councils. It is assumed that 70% of the savings achieved are passed through in a reduced waste charge.

3.7 Works units

Staff (\$8.6 million)

Based on our experience of reviewing a large number of works units across NSW we have found significant savings in all organisations that we have reviewed. As such it is reasonable to assume that a reduction in staff in the order of 20% across the works areas will be easily achieved in the medium term to reflect the duplication of services across the depots.

Redundancy costs have been modelled for all works staff based on an average of 26 weeks with an assumption on the number of affected staff at Strathfield made based on proportion of staff affected in the other councils.

Following the end of the natural attrition period redundancies would be applied to reduce staffing levels outlined above

Plant and Fleet (\$6.6 million – one off)

Based on our experience of reviewing a large number of works units across NSW, most councils have significantly more plant and equipment than reasonably required to undertake their day to day functions. As such, it is reasonable to assume that a reduction in plant and fleet in the order of 20% would be achievable should there be an amalgamation of councils.

4 Services and Service Levels (\$2.6 million)

Typically merged councils see an increase in staff associated with rises in services and service levels. Research conducted for the Independent Review Panel noted that each of the councils involved in the 2004 NSW mergers had more staff after the merger than the combined councils together^[1] and an average over the period of 2002/3 to 2010/11 of 11.7%.

²⁵ Financial Statements of each council

^[1] Assessing processes and outcomes of the 2004 Local Government Boundary Changes in NSW, Jeff Tate Consulting

An allowance has been made for a 2% increase in staff from year 4 onwards (i.e. after the period of natural attrition)

5 Transition costs

The formation of the new entity from the current state of six councils in the inner west to one will require a transition to ensure that the new entity is able to function on Day 1. This section identifies tasks to be undertaken and estimates transitional costs that are benchmarked against the Auckland Transition Agency (ATA) results and the costs as estimated by Stimpson & Co.²⁶ for the proposed Wellington reorganisation.

In the transition to an amalgamated entity there are a number of tasks that need to be undertaken to ensure that the new entity is able to function from Day 1 with minimal disruption to customers and staff. The types of tasks and objectives are summarised in the table below.

Governance	<ul style="list-style-type: none"> • Developing democratic structures (council committees) • Establishing the systems and processes to service and support the democratic structure • Developing the governance procedures and corporate policy and procedures underlying elected member and staff delegations • Developing the organisational structure of the new organisation
Workforce	<ul style="list-style-type: none"> • Developing the workforce-related change management process including new employment contracts, location and harmonisation of wages • Establishing the Human Resource capacity for the new entity and ensuring all policies, processes and systems are in place for Day 1 • Ensuring that positions required
Finance and Treasury	<ul style="list-style-type: none"> • Ensuring that the new entity is able to generate the revenue it needs to operate • Ensuring that the new entity is able to satisfy any borrowing requirements • Ensuring the new entity is able to procure goods and services • Developing a methodology for interim rates billing and a strategy for rates harmonisation • Developing a plan for continued statutory and management reporting requirements • Developing a financial framework that complies with legislative requirements
Business Process	<ul style="list-style-type: none"> • Planning and managing the integration and harmonisation of business processes and systems for Day 1 including customer call centres, financial systems, telephony systems, office infrastructure and software, payroll, consent processing etc. • Developing an initial ICT strategy to support the Day 1 operating environment that includes the identification of those processes and systems that require change • Developing a longer term ICT strategy that provides a roadmap for the future integration and harmonisation of business processes and systems beyond Day 1
Communications	<ul style="list-style-type: none"> • Ensuring that appropriate communication strategies and processes are in place for the new entity • Developing a communication plan for the transition period that identifies the approach to internal and external communication to ensure that staff and customers are kept informed during the transition period

²⁶ Report to Local Government Commission on Wellington Reorganisation Transition Costs, Stimpson & Co., 28 November 2014

Legal	<ul style="list-style-type: none"> Ensuring any legal risks are identified and managed for the new entity Ensuring that existing assets, contracts etc. are transferred to the new entity Ensuring all litigation, claims and liabilities relevant to the new entity are identified and managed
Property and Assets	<ul style="list-style-type: none"> Ensuring that all property, assets and facilities are retained by the new entity and are appropriately managed and maintained Ensuring the ongoing delivery of property related and asset maintenance services are not adversely impacted on by the reorganisation Facilitating the relocation of staff accommodation requirements as required for Day 1
Planning Services	<ul style="list-style-type: none"> Ensuring the new entity is able to meet its statutory planning obligations from Day 1 and beyond Ensuring that the entity is able to operate efficiently and staff and customers understand the planning environment from Day 1 Developing a plan to address the statutory planning requirements beyond Day 1
Regulatory Services	<ul style="list-style-type: none"> Ensuring that Day 1 regulatory requirements and processes including consenting, licensing and enforcement activities under statute are in place Ensuring that business as usual is able to continue with minimum impact to customers from Da1 and beyond
Customer Services	<ul style="list-style-type: none"> Ensuring no reduction of the customer interaction element – either face to face, by phone, e-mail or in writing from Day 1 and beyond Ensuring no customer service system failures on Day 1 and beyond Ensuring that staff and customers are well informed for Day 1 and beyond
Community Services	<ul style="list-style-type: none"> Ensuring that the new entity continues to provide community services and facilities Ensuring that current community service grant and funding recipients have certainty of funding during the short term

Note - This is not an exhaustive list but provides an indication of the type of work that needs to be undertaken during the transition period.

The transition costs are those costs incurred, during the period of transition, to enable the establishment of the new entity and to ensure that it is able to function on Day1. The estimated transition costs for establishment of a new entity are discussed below.

5.1 Transition body (\$11.5 million)

In the case of Auckland, the ATA was established to undertake the transition from nine councils to one entity. In order to undertake the transition the ATA employed staff and contractors and it had other operational costs such as rented accommodation, ICT and communications. The cost of the ATA in 2009 was reported at \$36 million and it is important to note that a substantial number of staff were seconded to the ATA from the existing councils to assist with undertaking the transition tasks. The cost of these secondments and support costs was at the cost of the existing councils and not the ATA.

The work undertaken for the reorganisation of Wellington identified the cost of the transition body as \$20.6 million⁴ and on the assumption of FTEs to transition body costs for Wellington, the estimated cost of the transition body for the Inner West is \$11.5 million. This figure may be understated and is dependent on the governance structure adopted and other unknown factors that may influence the cost of the transition body. The cost of staff secondment and support costs from existing councils to the transition body is not included in the cost estimate.

5.2 ICT (\$55 to \$80 million)

The costs associated with ICT for the new entity relate to rationalising the six existing councils ICT infrastructure, business applications, security and end user support for the single entity. The full rationalisation of IT systems based on other amalgamation experience will not occur for Day 1 of the new entity and could take anywhere between three to five years to finalise depending on the complexities of the preferred system. However there are some critical aspects for the new entity to function on Day 1 including the ability to make and receive payments, procurement and manage staff so there are ICT costs incurred during the transition.

Estimating the costs for ICT is inherently difficult due to the complexities associated with integrating systems and applications, and not knowing what the new entity may decide on as a future system. With the limited time to undertake this report the ICT costs have thus been based on the proposed Wellington reorganisation. A number of ICT scenarios were explored by Deloitte²⁷ for Wellington and the WNTA scenario most closely resembles the inner west situation has an estimated ICT cost of between \$55 million and \$80 million. The estimated cost is split between those costs incurred during the transition of \$10 to \$20 million and the implementation costs post Day 1 of \$45 to \$60 million that would be the responsibility of the new entity.

5.3 Business Process (existing council budget)

As part of ensuring the entity is functional on Day 1 is the requirement to redesign the business processes of the existing councils to one that integrates with the ICT systems. This would include the likes of consents, licensing and forms to replace that of the six existing councils. In the case of Auckland these tasks were largely undertaken by staff seconded to the transition body, the cost of which was not identified as it was a cost picked up by the nine existing councils.

5.4 Branding (\$2 million)

The new entity will require its own branding and as part of this a new logo will need to be designed. Once agreed there will be a need to replace the existing signage of the six councils for Day 1 of the new entity on buildings, facilities and vehicles. In addition it will be necessary to replace the existing staff uniforms, letterheads, brochures, forms and other items. The estimated cost for branding is \$2 million based on other amalgamation experience.

5.5 Redundancy Costs (\$2.7 million)

Through the transition period the Tier 1 and Tier 2 positions would be made redundant and based on employment contracts with a redundancy period of 38 weeks, the one off cost of redundancies is estimated at \$2.7 million based on the councils' respective Annual Reports 2013/14. It should be noted that these costs were met by the existing Council budgets in the Auckland amalgamation, none the less was still a cost of amalgamation and was identified accordingly.

²⁷ Wellington Local Government Reorganisation Options – Transition Costs and Benefits for Technology Changes, Deloitte, September 2014

5.6 Remuneration Harmonisation (\$0 million)

The remuneration, terms and conditions for staff would need to be reviewed as part of the transition as there is currently a variation in pay rates and conditions across the six councils. In order to estimate the cost of wage parity for moving to a single entity, the average employee costs for Blacktown City Council have been compared to that of the inner west councils combined. The reason for comparing to Blacktown is that the size and functions of the organisation would be similar to a new single entity for the Inner West. The average employee costs for Blacktown is lower than the inner west councils which is a likely indication that in the longer term the average employment cost may decrease. However in the short term there is likely to be a cost in harmonisation due to the degree of variation in pay across the six councils.

5.7 Elections (\$0 million)

There is a possibility of proportional savings in existing council budgets as instead of six separate elections there will be one for the new entity. However the costs of the election are likely to be higher than for future elections as there will need to be additional communication and information provided to voters to inform them of the new arrangements. The costs will also be dependent on the future governance structure, as was the case in the Auckland amalgamation the election costs were more than the budgeted amounts from the previous councils. For the purposes of the transition costs, no additional budget has been allowed for assuming there is sufficient budget in the six councils.

APPENDIX D High Level Comparison of Services and Service Levels

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Governance						
Number of Councillors	12	7	9	12	12	7
Population per Councillor	3,638	4,953	9,133	4,692	6,807	5,381
Expenditure/Budget	1.52%	1.39%	1.25%	3.28%		0.87%
Ratepayers						
- residential	15,342	11,927	31,115	22,304	29,973	12,109
- business	829	853	1,671	1,830	1,981	1,018
- total	16,171	12,781	32,786	24,134	31,954	13,127
Administration						
Number of Equivalent Full Time Employees	173	170	296	466	536	145
Population per staff member	254	204	262	120	156	185
Services						
Administration						
Customer communication	Quarterly community newsletter (IH) Quarterly business newsletter (IH) Weekly Mayoral Column (IH)	Quarterly community newsletter (IH) Monthly Mayoral newspaper Column (IH)	Three different e-zines (IH)	Quarterly community newsletter (SS)	Quarterly community newsletter (IH) Monthly e-newsletter (IH)	Fortnightly Council newspaper column
Customer service calls (avg) answered per day	200 - 300			260	480	
Response to customer requests	90% requests responded within 10 days	80% phone calls answered <40 seconds 80% attendees within 5 minutes	80% counter enquiries resolved at counter		>70% enquiries resolved at first point of contact < 5 minutes wait at front counter	80% calls answered within 20 seconds Customer response within 10 days

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Governance and administration percentage expenditure on services	32%	32%	10%	22%	27%	22%
Internal audits conducted	3 – 4 per annum				8 per annum	2 per annum
Public Order and Safety						
Animal Control						
- Number of companion animals identified	7,051	5,051	13,519	16,738	21,042	4,745
- Percentage companion animals identified and registered	59%	64%	57%	50%	51%	45%
Complaints response standard	Investigate complaints within 24 hours		Investigation commenced within 5 days		Investigations commenced within 48 hours	Investigate dangerous dogs within 24 hours
Health						
Inspections:	Food shops as per FA guidelines (1 – 3 per annum) Food safety seminars Monthly immunisation clinic	Food shops annually Food safety seminars	Food shops annually Food safety seminars		Food shops annually	Food shops annually Food safety seminars
Environment						
Noxious Plants and Insect / Vermin Control	Respond to complaints within 24 hours					Investigate complaints within 10 working days

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Solid Waste Management	Weekly garbage (OS) Fortnightly recycling (OS) Fortnightly greenwaste (OS) Monthly E-waste (IH) Christmas tree / mattress collection	Weekly garbage (OS) Fortnightly recycling (OS) Fortnightly recycling (OS) Fortnightly greenwaste (OS)	Weekly garbage (OS) Fortnightly recycling (OS) Fortnightly greenwaste (OS) E-waste (OS)	Weekly garbage (IH) Fortnightly recycling (OS) Fortnightly greenwaste (IH) E-waste (OS)	Weekly garbage (IH) Fortnightly recycling (IH) Fortnightly greenwaste (IH) Quarterly E-waste (OS)	Weekly garbage (IH) Fortnightly recycling (IH) Fortnightly greenwaste (IH)
<ul style="list-style-type: none"> - Avge domestic waste charge - Total domestic waste diversion rate - Clean-up household rubbish collections per year 	\$382 36% 2 per annum	\$376 45% 2 per annum (one scheduled, one on call)	\$366 44%	\$440 43% 2 per annum	\$488 41% On request	\$452 72%
Street Cleaning/Graffiti removal	Graffiti 48 hours Street sweeping 6-8 week cycle Town Centre daily Verge mowing – by eligibility	Graffiti 5 days Street sweeping 2 week cycle Town Centre daily Verge mowing – by eligibility	Graffiti 3 days Street sweeping 2 week cycle Town Centre daily Verge mowing – by eligibility	Verge mowing 20 day cycle	Street sweeping and verge mowing 5 weekly cycle Town Centre Daily Graffiti in hot spots removed fortnightly , in parks – hierarchy basis 2 – 12 weeks	Graffiti 48 hours Street sweeping 2 week cycle Town Centre daily Verge mowing – by eligibility
Drainage	GPTs emptied quarterly	Blocked drains cleared in 7 days				
Stormwater Management	Stormwater management charge				Stormwater management charge	Stormwater management charge

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Environmental - other	Investigate complaints within 48 hours		Investigate complaints within 10 days			Investigate complaints within 48 hours
Community Services and Education						
Children's Services	Youth Centre Youth Theatre Mobile playgroup OSHC 3 Childcare Centres (leased to private providers)	Mobile play van	Family Day Care Wellbank Children's Centre	4 child care centres (growing to 8)	6 child care centres 1 pre-school Vacation care Family Day Care 5 before & after care Mobile playgroup	
Multicultural services	Development and facilitation	Development and facilitation	Development and facilitation		Development and facilitation	Development and facilitation
Other	Support other programs	Support other programs HACC Services provided to inner west	Support other programs	Support other programs	Support other programs Meals on wheels provided to Marrickville and Leichhardt residents	Support other programs
Community transport	Own service	Outsources to other agency	Provides funding	Own service		
Animal control	Collection (IH) Pound (OS)	Collection (IH) Pound (OS)	Collection (IH) Pound (OS)	Collection (IH) Pound (OS)	Collection (IH) Pound (OS)	
Housing and Community Amenities						
Public Cemeteries	None	None	None	None	None	None
Public Conveniences	14 sets					
Town Planning	s149 certificates within 5 days	s149 certificates within 3 days	s149 certificates within 5 days	s149 certificates within 4 days	s149 certificates within 5 days	s149 certificates within 4 days

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Number of DAs determined	400	158	464	474	578	125
Mean gross days for DAs	39 days	83 days	78 days	91 days	72 days	67 days
DAs per existing dwellings	2.17%	1.41%	1.56%	2.09%	1.80%	1.03%
Recreation and Culture						
Public Libraries	2 libraries Circulation per capita 9 Home Library delivery twice weekly	1 libraries Circulation per capita 8	2 libraries Circulation per capita 6 Home Library delivery	2 libraries Circulation per capita 10	4 libraries Circulation per capita 6 Home Library delivery	2 libraries Circulation per capita 5 Home Library delivery
Art Galleries and art activities	Facilitate programs and activities		Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities 6 Galleries 4 sites	Facilitate programs and activities
Community Centres and Halls	11 venues	2 venues	7 venues	7 venues	5 venues	3 venues
Other Cultural Services	Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities	Facilitate programs and activities
Sports Grounds and Venues	5 sportsgrounds			11 sports grounds	10 sportsgrounds	Hudson Park Golf Course
Swimming Pools (number)	1 Aquatic Centre (IH)	1 Aquatic Centre (IH)	2 Swimming Centres (OS)	1 Aquatic Centre 1 Swimming Centre	2 Aquatic Centres	
Parks and Gardens (Lakes)	48 ha open space 1.1 ha per 1,000 population Mow parks fortnightly	38 ha open space 1.1 ha per 1,000 population	276 ha open space 3.4 ha per 1,000 population Mow parks	84 ha open space 1.5 ha per 1,000 population Mow parks monthly	117 ha open space 1.4 ha per 1,000 population Mow parks	123 ha open space 3.3 ha per 1,000 population Mowing (IH)

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
	in summer and monthly in winter (IH)	Mow parks fortnightly in summer and monthly in winter (IH)	fortnightly in summer and monthly in winter (OS)	(IH)	fortnightly in summer and monthly in winter	
Other Sport and Recreation	2 off leash dog parks		Five Dock Leisure Centre 2 Court basketball stadium		10 off leash dog parks Debbie & Abbey Borgia Centre 3 Court multi-purpose indoor stadium Robyn Webster stadium	2 off leash dog parks
Transport and Communication						
Condition - % in 4 and 5 (Transport from ss7)	4%	25%	4%	165	6%	6%
- Road length (kms)	98	86	207	151	217	97
- Road length per capita (metres)	2.24	2.47	2.52	2.68	2.65	2.58
- Roads	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (IH/OS)	Maintenance (IH/OS) Construction (OS)
- Footpaths	Construction & maintenance (IH/OS)		Construction & maintenance (OS)	Construction (OS)	Construction & maintenance (IH/OS)	
- Marine facilities	None	None	Boat ramps, jetties, ocean baths & seawalls	Boat ramps, jetties, ocean baths, seawalls & dinghy storage sites	Jetty Seawall	None

	Ashfield	Burwood	Canada Bay	Leichhardt	Marrickville	Strathfield
Other Transport and Communication	Community bus			Community bus		Shuttle bus service
Fleet	Car fleet – (IH/OS) Heavy fleet – (IH/OS)	Car fleet – (IH/OS) Heavy fleet – (IH)	Car fleet – (OS) Heavy fleet – (IH/OS)	Car fleet – (OS) Heavy fleet – (IH/OS)	Car fleet – (IH) Heavy fleet – (IH)	
Drainage - Delivery	Maintenance (IH) Construction (OS)	Maintenance (IH) Construction (OS)	Maintenance (IH/OS) Construction (IH/OS)	Maintenance (IH/OS) Construction (OS)	Maintenance (IH/OS) Construction (IH/OS)	Maintenance (IH) Construction (OS)
Economic Affairs						
Expenditure/Budget	0%	0.05%	1.60%	0%		0.51%
Legal advice	Outsourced	Outsourced	Outsourced	Outsourced & Internal	Outsourced	
Security	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced	Outsourced
Buildings	Maintenance (IH/OS) Construction (OS)	Maintenance (OS)	Maintenance (IH/OS)	Maintenance (IH/OS)	Maintenance (IH/OS)	Maintenance (IH)
Condition - % in 4 and 5 (buildings ss7)	21%	5%	1%	6%	15%	18%

Note

1. The purpose of this matrix is to provide a comparison of those services and activities which are different or only provided by some of the participating councils. Where the services and/or service levels are the same (or essentially the same) they have been excluded.

APPENDIX E Capacity

Key Elements of Strategic Capacity	2 Council Mergers	3 Council Mergers	4 Council Mergers	5 Council Mergers	Inner West Council
More robust revenue base and increased discretionary spending	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change	Significant change	Significant change
<i>Rationale</i>		Revenue base increased to 150,000 - 200,000	Revenue base increased to over 250,000	Revenue base increased to over 300,000	Very large revenue base compared to existing NSW councils
Scope to undertake new functions and major projects	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change	Significant change	Significant change
<i>Rationale</i>	Mergers do not significantly increase a council's financial or human resources	Mergers make large Councils (NSW comparison) and increases ability to prioritise and undertake regionally significant projects intellectually, financially and resource wise	Better able to prioritise and undertake regionally significant projects intellectually, financially and resource wise	Better able to prioritise and undertake regionally significant projects intellectually, financially and resource wise	Better able to prioritise and undertake regionally significant projects intellectually, financially and resource wise
Ability to employ wider range of skilled staff	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change	Significant change	Significant change
<i>Rationale</i>		Larger council has capacity to employ (and contract) more specialist staff	Large council has capacity to employ (and contract) more specialist staff	Large council has capacity to employ (and contract) more specialist staff	Single larger council has capacity to employ (and contract) more specialist staff
Knowledge, creativity and innovation	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	No change	No change	No change	No change

Key Elements of Strategic Capacity	2 Council Mergers	3 Council Mergers	4 Council Mergers	5 Council Mergers	Inner West Council
<i>Rationale</i>	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan Sydney and an increase scale makes little or no difference	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan Sydney and an increase scale makes little or no difference	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan Sydney and an increase scale makes little or no difference	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan Sydney and an increase scale makes little or no difference	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan Sydney and an increase scale makes little or no difference
Effective regional collaboration	No	No	Yes	Yes	Yes
<i>Degree of Change</i>	No change	No Change	Moderate Change	Significant change	Significant change
<i>Rationale</i>	Region remains fragmented	Region remains largely fragmented	Large inner west Council driving regional collaboration	Largely represents an inner west voice, individual Council not involved could be sidelined	Represents a single inner west voice
Credibility for more effective advocacy	No	No	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate Change	Moderate Change	Significant change	Significant change
<i>Rationale</i>	Region remains fragmented with small councils advocating for individual interests	Region remains largely fragmented, however a council of 3 previous councils represents reasonable large population base	Large inner west Council representing significant population base	Largely represents an inner west voice, although individual Council not involved could be sidelined	Represents a single inner west voice representing significant population base
Capable Partner for State and Federal Agencies	No	No	Yes	Yes	Yes
<i>Degree of Change</i>	No change	No Change	Moderate Change	Significant change	Significant change
<i>Rationale</i>	Region remains fragmented requiring multiple relationships for state and federal agencies	Region remains largely fragmented with at least 2 councils, probably more, representing the inner west	Large inner west Council driving regional collaboration	Largely represents an inner west voice, the individual Council not involved could be sidelined	Represents a single inner west voice
Resources to Cope with complex and unexpected change	No	Yes	Yes	Yes	Yes

Key Elements of Strategic Capacity	2 Council Mergers	3 Council Mergers	4 Council Mergers	5 Council Mergers	Inner West Council
<i>Degree of Change</i>	No change	Moderate Change	Moderate Change	Significant change	Significant change
<i>Rationale</i>	No significant financial improvements or changes in resources from mergers	Councils have improved capacity to meet challenges intellectually, financially and resource wise	Council has financial capacity to meet challenges intellectually, financially and resource wise	Large council with large financial capacity to meet challenges intellectually, financially and resource wise	Large council with large financial capacity to meet challenges intellectually, financially and resource wise
High Quality political and managerial leadership	No	Yes	Yes	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Moderate change	Moderate Change	Moderate change
	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff.</p> <p>A merger between 2 councils only is unlikely to change this situation from the status quo</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff.</p> <p>A merger of 3 councils increases the management group and remuneration capacity</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff.</p> <p>Larger organisation will be able to sustain a larger management group and increase remuneration to attract and retain top staff</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff.</p> <p>Larger organisation will be able to sustain a larger management group and increase remuneration to attract and retain top staff</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff.</p> <p>Larger organisation will be able to sustain a larger management group and increase remuneration to attract and retain top staff</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>

APPENDIX F Comparison of the Approach to the Natural and Built Environment of the Inner West Councils

The following is based on overarching LEP plan aims as an indication of:

- protection of the natural environment
- protection the built environment and built heritage
- general approach to growth and development

	Natural	Built	Approach to Growth
Ashfield	<p>Relative emphasis on natural environment - medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are:</p> <ul style="list-style-type: none"> • to promote the orderly and economic development of Ashfield in a manner that is consistent with the need to protect the environment • to identify and conserve the environmental and cultural heritage of Ashfield • to ensure that development has proper regard to environmental constraints and minimises any adverse impacts on biodiversity, water resources, riparian land and natural landforms • to require that new development incorporates the principles of ecologically sustainable development 	<p>Relative emphasis on built heritage - medium</p> <p>The particular aims of the LEP which relate to the protection of built heritage are:</p> <ul style="list-style-type: none"> • to retain and enhance the identity of Ashfield as an early residential suburb with local service industries and retail centres • to protect the urban character of the Haberfield, Croydon and Summer Hill urban village centres while providing opportunities for small-scale, infill development that enhances the amenity and vitality of the centres 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> • to provide increased housing choice in locations that have good access to public transport, community facilities and services, retail and commercial services and employment opportunities • to strengthen the viability and vitality of the Ashfield town centre as a primary centre for investment, employment, cultural and civic activity, and to encourage a majority of future housing opportunities to be located within and around the centre
Burwood	<p>Relative emphasis on natural environment - low</p> <ul style="list-style-type: none"> • Overarching LEP aims do not place any emphasis on protection of natural environment 	<p>Relative emphasis on built heritage - low</p> <ul style="list-style-type: none"> • Overarching LEP aims do not place any emphasis on consideration of built heritage 	<p>The LEP plan aims suggest a relatively permissive approach to growth and development with stated aims to:</p> <ul style="list-style-type: none"> • encourage provision of a range of housing types • encourage growth in business and employment development • Very few stated constraints or considerations on development

	Natural	Built	Approach to Growth
City of Canada Bay	<p>Relative emphasis on natural environment – low/medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to conserve the environmental heritage of City of Canada Bay to promote ecologically sustainable development 	<p>Relative emphasis on built heritage – low/medium</p> <p>The particular aims of the LEP which relate to the protection of built heritage are:</p> <ul style="list-style-type: none"> to achieve high quality urban form by ensuring that new development reflects the existing or desired future character of particular localities 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> to promote sustainable transport, reduce car use and increase use of public transport, walking and cycling to provide high quality open spaces and a range of recreational facilities to maintain and enhance the existing amenity and quality of life of the local community by providing for a balance of development that caters for the housing, employment, entertainment, cultural, welfare and recreational needs of residents and visitors
Leichhardt	<p>Relative emphasis on natural environment – high</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to ensure that development applies the principles of ecologically sustainable development to minimise land use conflict and the negative impact of urban development on the natural, social, economic, physical and historical environment to identify, protect, conserve and enhance the environmental and cultural heritage of Leichhardt, to protect and enhance views and vistas of Sydney Harbour, Parramatta River, Callan Park and Leichhardt and Balmain civic precincts from roads and public vantage points, and to prevent undesirable incremental change, including demolition, that reduces the heritage significance of places, conservation areas and 	<p>Relative emphasis on built heritage – high</p> <p>The particular aims of the LEP which relate to the protection of built heritage are:</p> <ul style="list-style-type: none"> to maintain and enhance Leichhardt’s urban environment to minimise land use conflict and the negative impact of urban development on the natural, social, economic, physical and historical environment to ensure that development is compatible with the character, style, orientation and pattern of surrounding buildings, streetscape, works and landscaping and the desired future character of the area, to protect, conserve and enhance the character and identity of the suburbs, places and landscapes of Leichhardt, including the natural, scientific and cultural 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> to ensure that land use zones are appropriately located to maximise access to sustainable transport, community services, employment and economic opportunities, public open space, recreation facilities and the waterfront, to provide for development that promotes road safety for all users, walkable neighbourhoods and accessibility, reduces car dependency and increases the use of active transport through walking, cycling and the use of public transport, to ensure an adequate supply of land and housing to facilitate employment and economic opportunities, and to ensure that development provides high quality

	Natural	Built	Approach to Growth
	<p>heritage items</p> <ul style="list-style-type: none"> to ensure that development responds to, conserves, protects and enhances the natural environment, including terrestrial, aquatic and riparian habitats, bushland, biodiversity, wildlife habitat corridors and ecologically sensitive land, to promote energy conservation, water cycle management (incorporating water conservation, water reuse, catchment management, stormwater pollution control and flood risk management) and water sensitive urban design, to ensure that existing landforms and natural drainage systems are protected, to ensure that the risk to the community in areas subject to environmental hazards is minimised, to ensure that the impacts of climate change are mitigated and adapted to 	<p>attributes of the Sydney Harbour foreshore and its creeks and waterways, and of surface rock, remnant bushland, ridgelines and skylines</p>	<p>landscaped areas in residential developments</p> <p>Also some emphasis on housing type and mix and affordability:</p> <ul style="list-style-type: none"> to promote accessible and diverse housing types, and affordable housing
Marrickville	<p>Relative emphasis on natural environment – low/medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to ensure development applies the principles of ecologically sustainable development to promote sustainable transport, reduce car use and increase use of public transport, walking and cycling 	<p>Relative emphasis on built heritage – low/medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to identify and conserve the environmental and cultural heritage of Marrickville 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> to support the efficient use of land, vitalisation of centres, integration of transport and land use and an appropriate mix of uses to increase residential and employment densities in appropriate locations near public transport while protecting residential amenity to protect existing industrial land and facilitate new business and employment to promote sustainable transport, reduce car use and increase use of public transport, walking and cycling

	Natural	Built	Approach to Growth
			<p>Also some emphasis on housing type and mix and affordability:</p> <ul style="list-style-type: none"> to promote accessible and diverse housing types including the provision and retention of affordable housing
Strathfield	<p>Relative emphasis on natural environment – medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to identify and protect environmental and cultural heritage to promote future development that integrates land use and transport planning, encourages public transport use, and reduces the traffic and environmental impacts of private vehicle use to minimise risk to the community by identifying land subject to flooding and restricting incompatible development 	<p>Relative emphasis on built heritage – low/medium</p> <p>The particular aims of the LEP which relate to the protection of the natural environment are to:</p> <ul style="list-style-type: none"> to achieve high quality urban form by ensuring that new development exhibits design excellence and reflects the existing or desired future character of particular localities and neighbourhoods in Strathfield 	<p>Emphasis on encouraging transport oriented, quality compact development:</p> <ul style="list-style-type: none"> to promote the efficient and spatially appropriate use of land, the sustainable revitalisation of centres, the improved integration of transport and land use, and an appropriate mix of uses by regulating land use and development, to promote future development that integrates land use and transport planning, encourages public transport use, and reduces the traffic and environmental impacts of private vehicle use to provide opportunities for economic growth that will enhance the local community

APPENDIX G Comparison of community strategic plans of the inner west councils

Council	Vision	Broader Themes
City of Canada Bay	<p>City of Canada Bay's Futures20 Plan sets a vision for a region which is:</p> <ul style="list-style-type: none"> • active and vibrant; • has sustainable spaces and places; • is innovative and engaged; and • is thriving and connected. 	<ul style="list-style-type: none"> • To be an active and vibrant city that captures the energy, diversity, pride and potential of its community. • To be a city of sustainable spaces and places; one whose residents recognise and act on their collective responsibility to protect their environment and to preserve it for future generations. • To be an innovative and engaged city, and one served by an effective local council that works with its community to balance the needs of its many and diverse stakeholders. • A thriving and connected city that has successful local economic development and is served by well-functioning transport and roads.
Leichhardt	<p>Leichhardt Council have set the following vision for 2025:</p> <ul style="list-style-type: none"> • Our Local Community – making it the place where we want to live, work, play and visit • Democratic Responsible Government – open, participative and proactive Council leading the community • Sustainability – shared passion and commitment to consistently do all the things required to enhance and preserve the social, environmental, economic and civic leadership factors that are important to the lives of future generations and life on our planet 	<ul style="list-style-type: none"> • A Leichhardt community that is equitable, cohesive, connected, caring, diverse, healthy, safe, culturally active, creative and innovative, and has a strong sense of belonging and place • Accessibility: Easy access for people, services, information and facilities that promotes the amenity, health and safety of the community and that reduces private car dependency for all travel • A liveable place – socially, environmentally and economically; A sustainable environment created by inspiring, leading and guiding our social, environmental and economic activities • Thriving businesses and a vibrant community working together to improve the local economy • Sustainable services and assets and accountable civic leadership that delivers services and assets to support the community now and in the future
Marrickville	<p>Marrickville Council's vision for 2023 is for:</p> <ul style="list-style-type: none"> • A culturally diverse, forward thinking, inner city communities and neighbourhoods. • A community that remains welcoming, proud of its diversity and its history. • A place where businesses are confident and responsive to the needs of the local community. Is a creative community. 	<ul style="list-style-type: none"> • A diverse community that is socially just, educated, safe and healthy • A creative and cultural Marrickville • A vibrant economy and well planned, sustainable urban environment and infrastructure • Effective, consultative and representative council

Council	Vision	Broader Themes
	<ul style="list-style-type: none"> • A place that values the people who celebrate, challenge and inspire local identity and sense of place. • The environment is healthy and native plants and animals are thriving. • Local communities work closely with Council, which is ethical, effective and accountable. 	
Burwood	Burwood's vision for 2030 is to be: <ul style="list-style-type: none"> • A well connected, sustainable and safe community that embraces and celebrates its diversity. 	<ul style="list-style-type: none"> • A Sense of Community Leadership Through Innovation • A Sustainable Natural Environment Accessible Services and Facilities • A Vibrant Economic Community
Ashfield	Ashfield's vision for 2023 is for: <i>A caring community of linked villages inspired by its rich cultural history, heritage and diversity.</i>	<ul style="list-style-type: none"> • Creative and inclusive community • Unique and distinctive neighbourhoods • Living sustainably • Thriving Local Economy • Attractive and lively Town Centre • Engaging and innovative local democracy
Strathfield	In 2025, Strathfield's vision is for: "... a well-connected urban centre in Sydney's Inner West with rich cultural diversity and a strong sense of community cohesion. The community is engaged with Council in guiding a sustainable future and opportunities for education, recreation, employment and overall wellbeing in Strathfield.	<ul style="list-style-type: none"> • Connectivity • Community Wellbeing: • Prosperity and Opportunities • Liveable Neighbourhoods • Responsible Leadership



APPENDIX H Detailed Community Profile



The Communities of the Inner West

January 2015

TABLE OF CONTENTS

1.	INTRODUCTION	3
2.	SUMMARY OF KEY SIMILARITIES AND DIFFERENCES	3
3.	POPULATION SUMMARY	4
3.1	Current Base Information.....	4
3.2	Population Growth and Forecasts.....	4
3.3	Dwellings	6
3.4	Age Structure	7
3.5	Household Types.....	8
4.	CULTURE 9	
4.1	Birthplace	9
4.2	Religion	9
4.3	Language	9
5.	EDUCATION	10
5.1	School Completion	10
5.2	Post School Qualifications	11
6.	LABOUR MARKET	12
6.1	Employment Status	12
6.2	Industries of Employment	12
6.3	Occupations	13
7.	HOUSEHOLD INCOME AND WEALTH	13
7.1	Equivalised Household Income.....	13
8.	SOCIOECONOMIC DISADVANTAGE	14
9.	POLITICAL PARTY COMPOSITION	15
9.1	Local Government	15
9.2	State and Federal Government.....	15
10.	LOCAL ECONOMIC FEATURES	16
10.1	Gross Regional Product.....	16
10.2	Size of Workforce	16

11. INTERDEPENDENCE AND ECONOMIC RELATIONSHIPS	17
11.1 Metro Commuter Clusters.....	18
11.2 Workers' Place of Residence.....	18
11.3 Residents' Place of Work.....	19
11.4 Migration Patterns	19
11.5 Relationship Clusters.....	20
12. SERVICING	21
12.1 State and Federal Government Services	21
12.2 Local Government Services.....	23

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Document Status

Approving Director:	Draft	Date:	January 2015
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1. INTRODUCTION

A desktop review of the communities of the Inner West council areas has been undertaken in order to understand the current demographic composition of the area, the similarities and differences between the council areas, and the interrelationships and communities of interest that currently exist within the inner west.

Communities of interest and geographic cohesion are considered essential considerations for any boundary adjustment process (Section 263 of the Local Government Act). The two key reference points for this review are ABS Census Data taken from the Councils' ProfileID websites, along with the analysis contained in the *New South Wales Local Government Areas: Similarities and Differences, A report for the Independent Local Government Review Panel*²⁸.

2. SUMMARY OF KEY SIMILARITIES AND DIFFERENCES

Geographically, the inner west is quite a contained area, with the only physical restraints between its communities being major transport infrastructure such as Parramatta Road and some waterways. It has traditionally been grouped as a small region, separate from the City of Sydney to its East, St George and Canterbury/Bankstown to its south and Auburn to its West.

There are a number of similarities between the areas, including:

- the dependence on and movements to the City of Sydney for employment, entertainment, retail and other services
- the area as a whole is more multicultural than Greater Sydney
- there is a low ratio of children to adults of parenting age associated with a low proportion of children in the population overall and a low proportion of elderly people
- higher education levels than Greater Sydney
- there is low employment containment within each council area, however the inner west region as a whole is higher.

However a number of differences can also be observed. The *Similarities and Differences* report categorises the councils areas into a number of different clusters based on the predominance of certain demographic factors:

- Burwood and Strathfield are in the cluster of the most multicultural council areas in NSW
- The City of Canada Bay and Leichhardt are in the highest wealth cluster of council areas
- Ashfield and Marrickville are in the most academically inclined cluster of council areas

Other differences include

- Strathfield's population density is significantly lower than the other areas, and much closer to the areas to its west such as Parramatta, Auburn and Holroyd
- there are differences in the cultures that are predominant in the areas
- Burwood is somewhat of an outlier in terms of socioeconomic disadvantage and the factors that make this up including household income
- there are more residents of Burwood and Strathfield in the generally lower earning occupations (trades, labouring)

²⁸ National Institute of Economic and Industry Research, March 2013

- City of Canada Bay has the largest economy in gross terms, however when this is considered at a per capita level (population, businesses and workers), Strathfield has a high value economy for its size
- City of Canada Bay and Leichhardt have higher rates of employment containment
- political representation differs across the inner west.

At the state and federal level, the inner west continues to be grouped within the same regions for both services and strategic planning.

3. POPULATION SUMMARY

3.1 Current base information

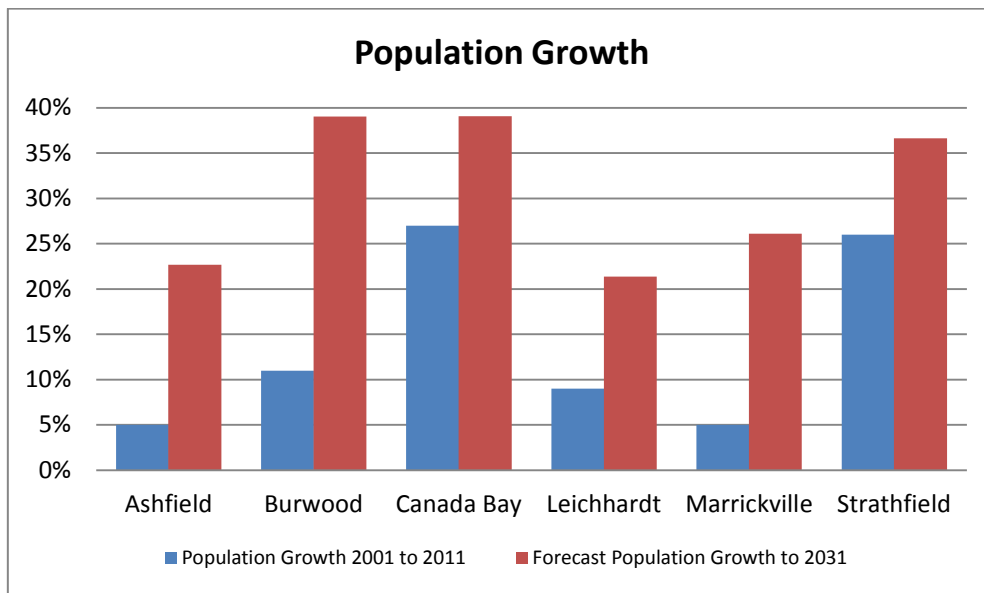
	Population (ERP 2013)	No. Households	Land Area (ha)	Population Density
Ashfield	44,175	16,185	829	53
Burwood	35,298	11,239	715	49
City of Canada Bay	84,906	29,735	1,990	43
Leichhardt	57,266	22,638	1,055	54
Marrickville	82,523	32,099	1,656	50
Strathfield	38,358	12,180	1,389	28
Total Inner West	342,526	124,076	7634	45

3.2 Population growth and forecasts

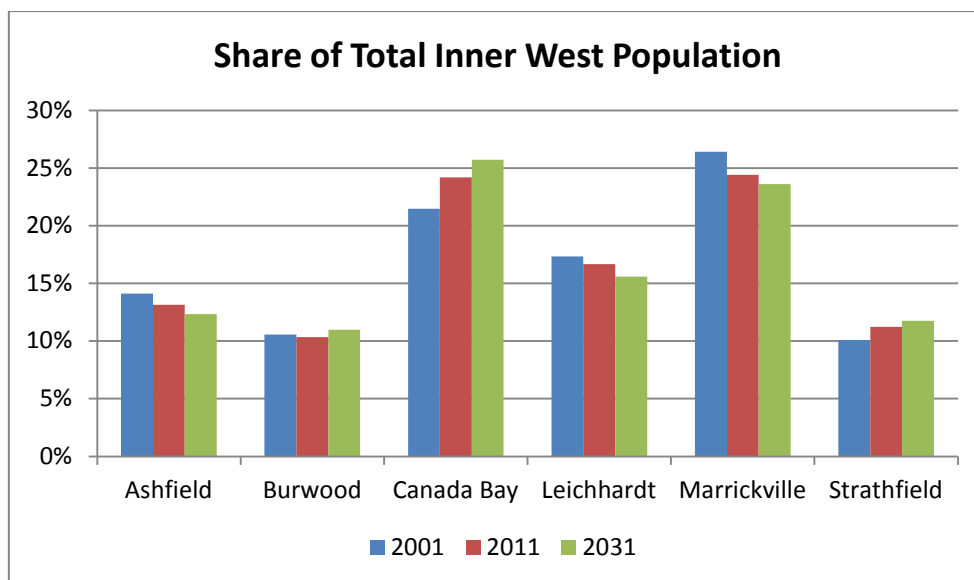
Analysis of the census data and the NSW Department of Planning's Population forecasts has been undertaken to identify the patterns of past and future population growth within the inner west. All areas of the inner west will accommodate a share of the State's growth, with an overall total population increase of 38%, or almost 120,000 people.

The City of Canada Bay has undergone the greatest growth since 2001, which is predicted to continue at an overall growth rate of 39.1% from 2011 to 2031. Similarly Burwood will grow by 39%.

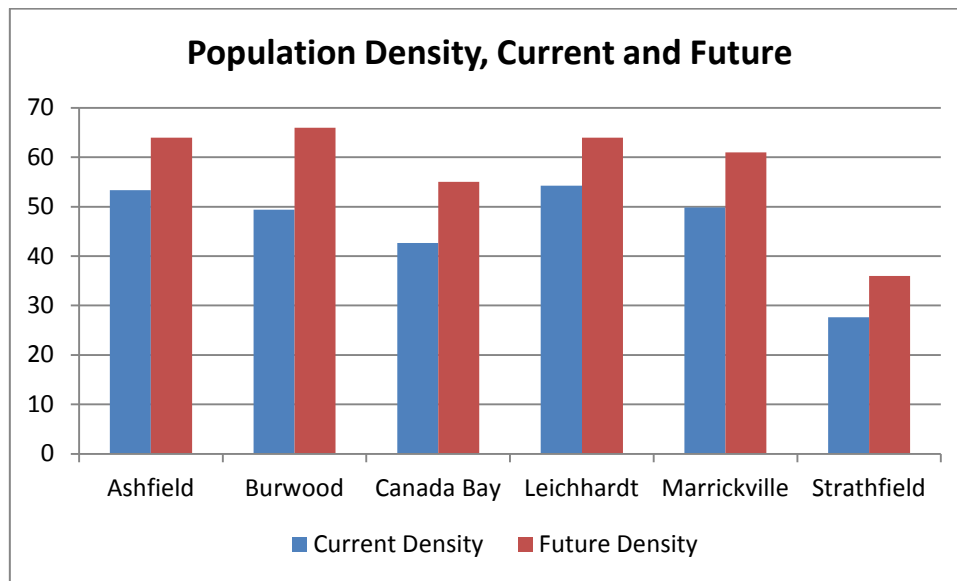
Ashfield, Burwood and Marrickville are facing the prospect of managing a far higher forecast growth rate than they did over the 2001-2011 period in comparison with the other council areas.



This changes the overall share of the population within the inner west, with the City of Canada Bay and Strathfield gaining an increasing share of the total, and Ashfield, Leichhardt and Marrickville declining as a proportion of the whole.



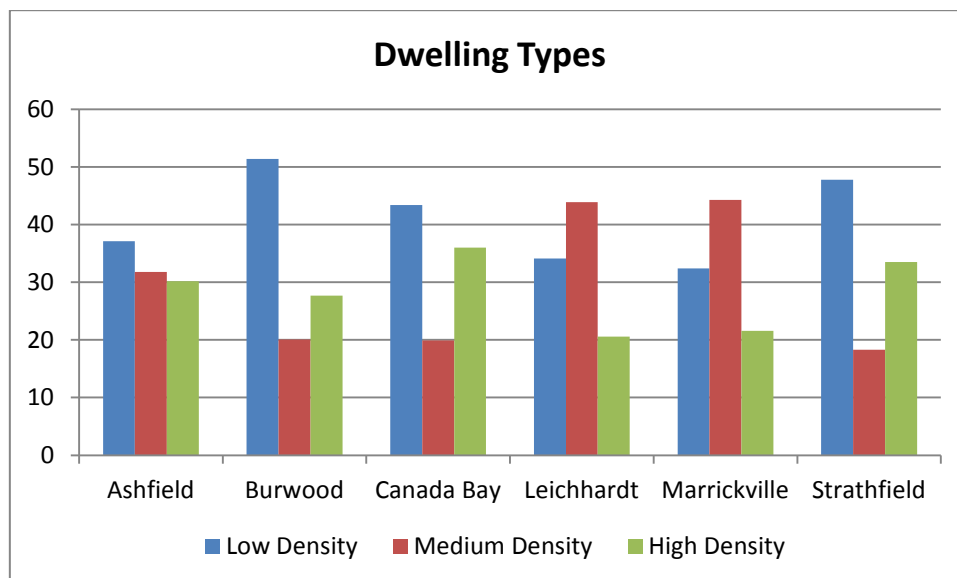
The forecast population growth will increase the density in all inner west council areas, and as a whole from 45 to 57 persons per hectare.



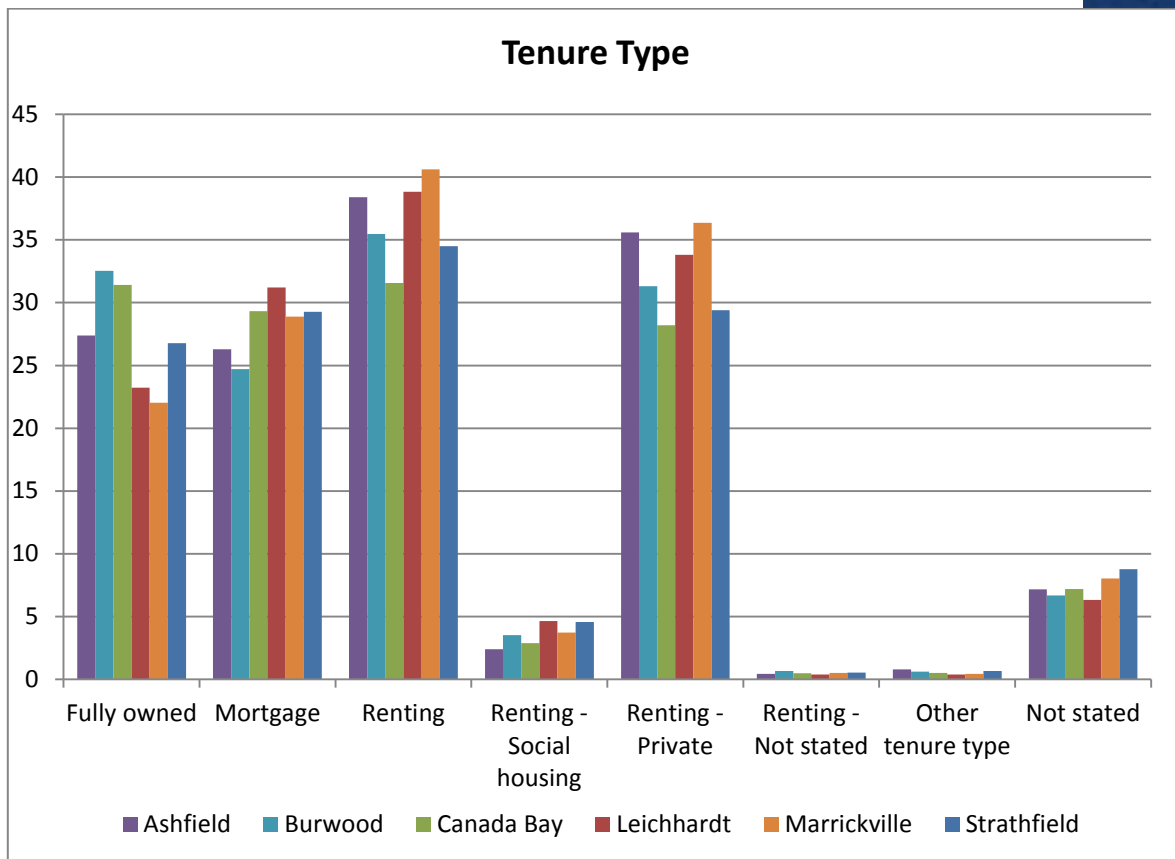
3.3 Dwellings

Overall the six councils are in a cluster of areas with high proportions of flats, greater population mobility than the state average, and tenancy distributed across the tenancy types.

Across the inner west, Burwood and Strathfield have the greatest proportions of low density housing, with the City of Canada Bay and Strathfield having the highest proportions of high density dwellings. Ashfield has the flattest dwellings profile with more even representation amongst the different dwelling types. Leichhardt and Marrickville have greatest proportions of medium density housing as a total.



Burwood, Ashfield and the City of Canada Bay have the highest proportion of homes owned outright, Leichhardt and Strathfield mortgaged, and Leichhardt and Marrickville rented. Across the inner west there is a higher overall proportion of housing being rented and lower rates of social housing than Greater Sydney. Leichhardt and Strathfield have the highest proportions of social housing at 4.6 and 4.7% respectively.



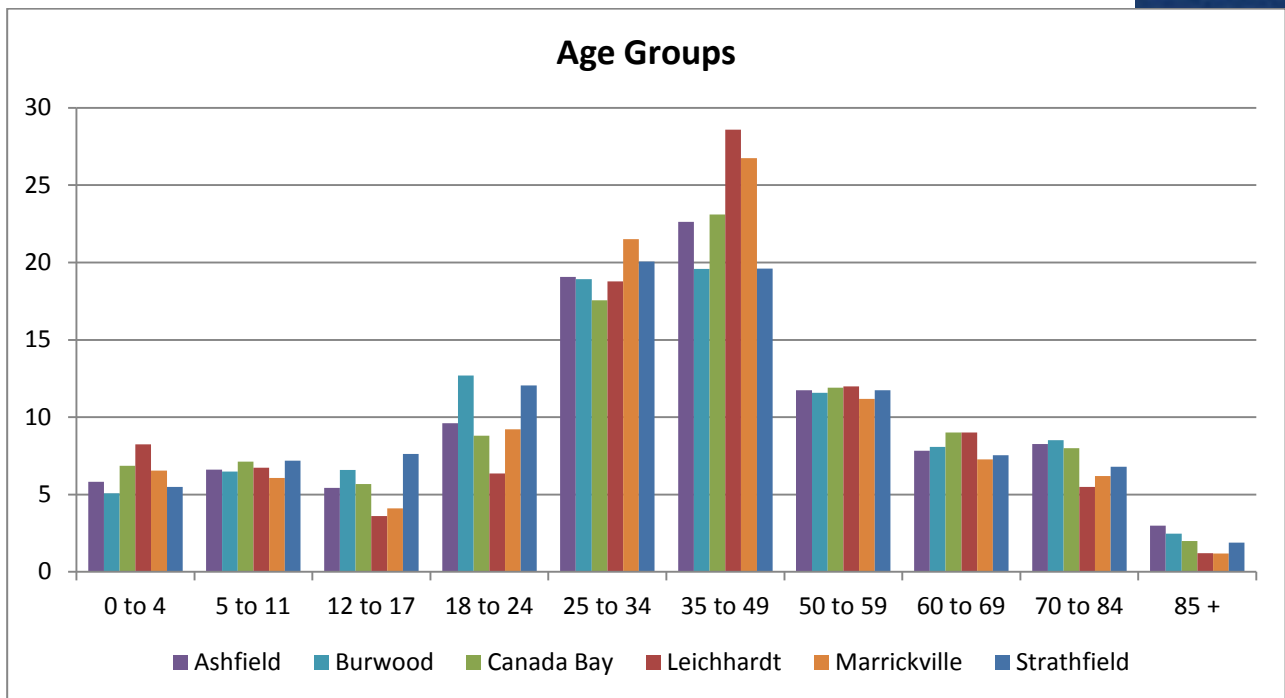
3.4 Age structure

The age structure of the community provides an insight into the level of demand for age based services and facilities, as well as the key issues on which local government will need to engage with other levels of government in representation of their community.

The *Similarities and Differences* analysis groups all of the six inner west councils in the same cluster for age structure, with a low ratio of children to adults of parenting age associated with a low proportion of children in the population overall and a low proportion of elderly people.

The key similarities and differences within the Inner West in terms of age structure include:

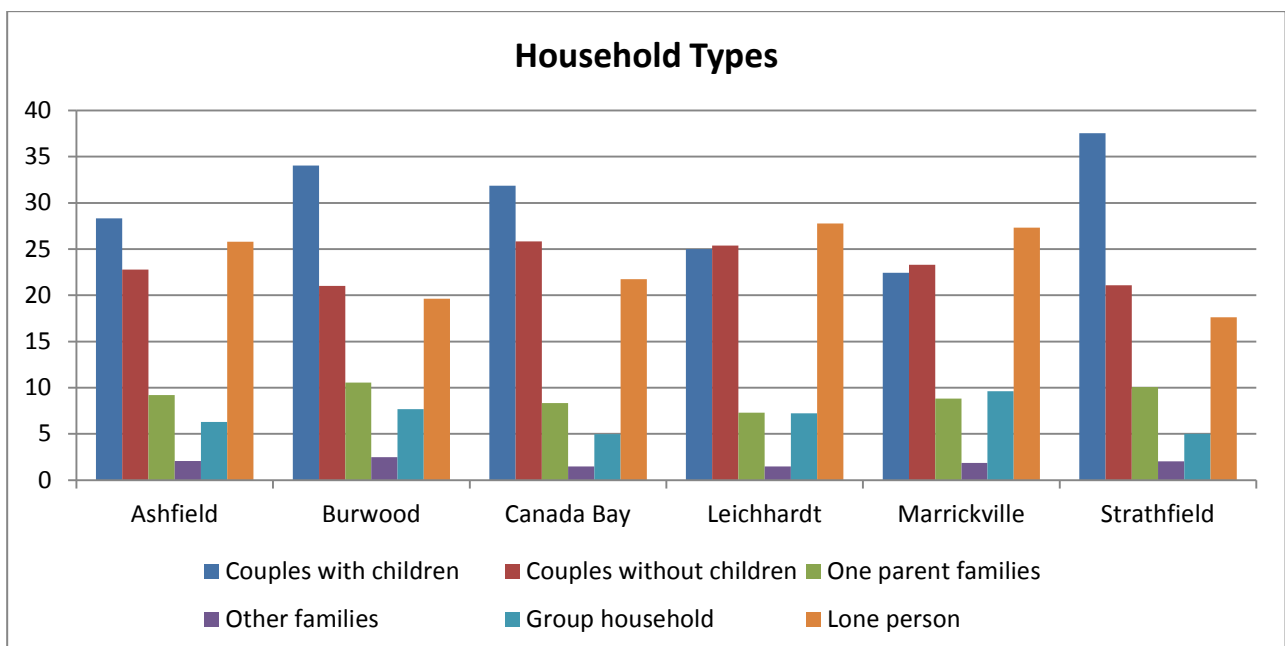
- Leichhardt and Ashfield have the greatest spikes in their population profile, with large population proportions in the 35 to 49 age group
- Leichhardt has a higher proportion of children
- Burwood and Strathfield have relatively flatter population profiles overall, with notably higher proportions in the teenage and young adult age groups
- There is little variation in the size of the groups over 50 years across the inner west councils.



3.5 Household types

With the exception of Leichhardt, the council areas of the Inner West have a lower proportion of couple households with children and one parent families than the Greater Sydney area. Strathfield has the greatest proportion of these family types, followed by Burwood. Marrickville has the lowest rate of couples with children. All of the areas have low rates of one parent families.

There are generally more group households across the inner west, particularly high in Marrickville, and in most of the areas the rate of lone person households is high.



4. CULTURE

The study on similarities and differences in local government across New South Wales places both Burwood and Strathfield into the cluster of the most multicultural council areas.

In comparison to the Sydney and NSW averages, the inner west is more multicultural as a whole.

4.1 Birthplace

The council areas of the inner west display some differences in the birthplace of residents, both proportions of those who are Australian born and the countries from which non-Australian born residents derive from.

Leichhardt sits in a cluster of areas with higher proportions of Australian born residents (around 3/4), with around 10% from north and west Europe. Burwood and Strathfield sit in a small cluster of areas with less than half the population Australian born, with significant representation of East Asia and South Asia. The City of Canada Bay and Marrickville are in a cluster of areas with around 60% Australian born, with rather less north and west European born than the cluster with Leichhardt, and more from Asia and Southern and Eastern Europe.

The following table shows the top three countries of birth, after Australia, for each Inner West council area:

	Born in Australia	1	2	3
Ashfield	49.3%	China 10.1%	Italy 4.3%	India 3.4%
Burwood	41.7%	China 14.9%	India 4.7%	South Korea 3.8%
City of Canada Bay	58%	China 5.7%	Italy 5.1%	UK 3.3%
Leichhardt	65.3%	UK 8.6%	NZ 3.2%	Italy 1.8%
Marrickville	58.3%	UK 4.5%	Greece 3%	Vietnam 2.9%
Strathfield	39.8%	China 9.3%	India 8%	South Korea 7.5%
Sydney Metro	59.9%			

4.2 Religion

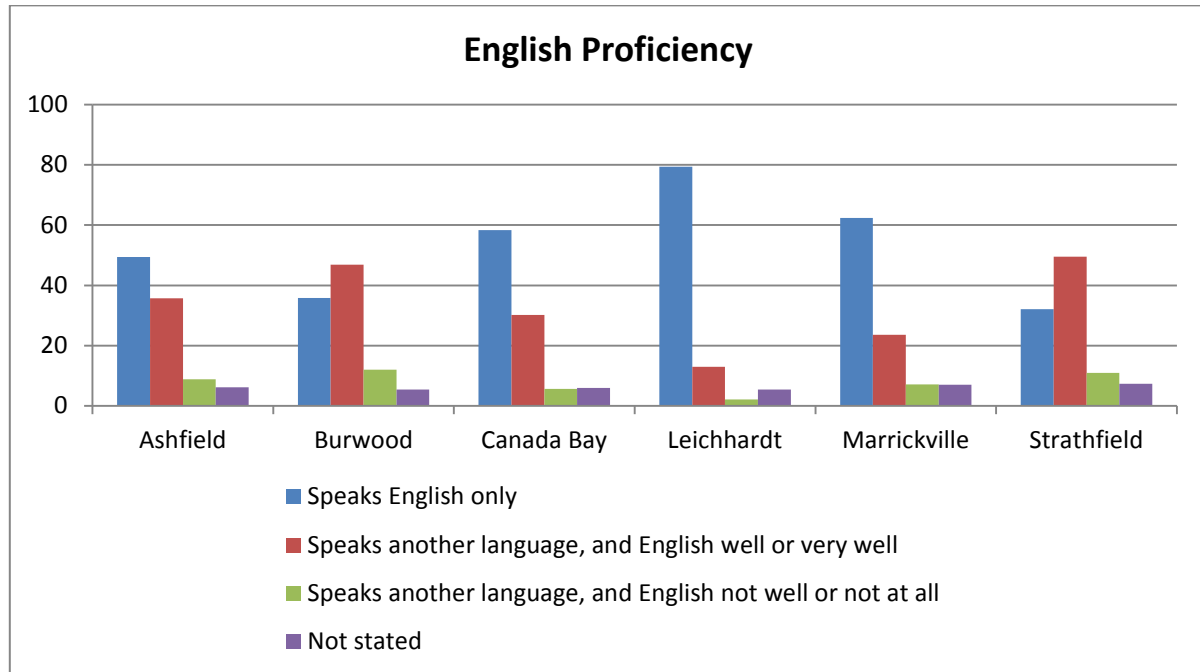
Four of the inner west councils are in a cluster where the proportion of the population with no religion is greatest, and with Catholicism and mainline Protestantism each claiming almost a third of the population. Consistent with the higher multicultural population in Burwood and Strathfield, these areas sit in a cluster notable for its high proportion of Hindus and Buddhists, and a presence of Islam and orthodoxy.

4.3 Language

The City of Canada Bay, Leichhardt and Marrickville are clustered together with areas where English spoken at home is around 80% of households and a broad representation of languages

comprising the remainder. Ashfield, Burwood and Strathfield are in a group where almost half of all households use English at home with a mix of other languages among which the East Asian languages are prominent.

Burwood and Strathfield contain the highest proportions of residents who do not speak English well or at all.



5. EDUCATION

In the similarities and differences study, Ashfield and Marrickville sit in the cluster of the most ‘academically inclined’ council areas, based on the different levels of educational achievement as detailed below.

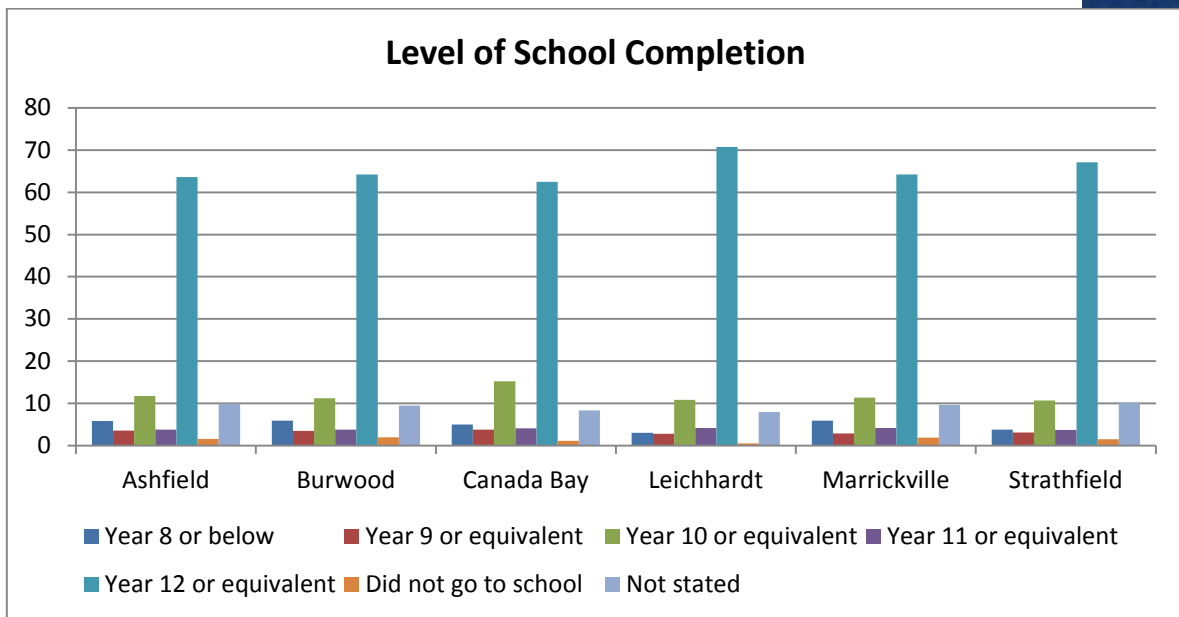
Leichhardt is within a cluster with a high ratio of professional to trade qualifications, a fairly high proportion overseas born with good English coupled with a low proportion overseas born with poorer English, and high Year 12 achievement coupled with high adolescent educational attendance – all the educational marks of high incomes and high prospective incomes.

The remaining five Inner West council areas are in a cluster with far greater educational diversity, characterised by high proportions of overseas-born residents with good English, high educational attendance high Year 12 achievement and a high ratio of professional to trade qualifications, compromised by moderate proportions overseas-born and speaking limited English.

5.1 School completion

School completion data is a useful indicator of socio-economic status. Combined with educational qualifications it also allows assessment of the skill base of the population.

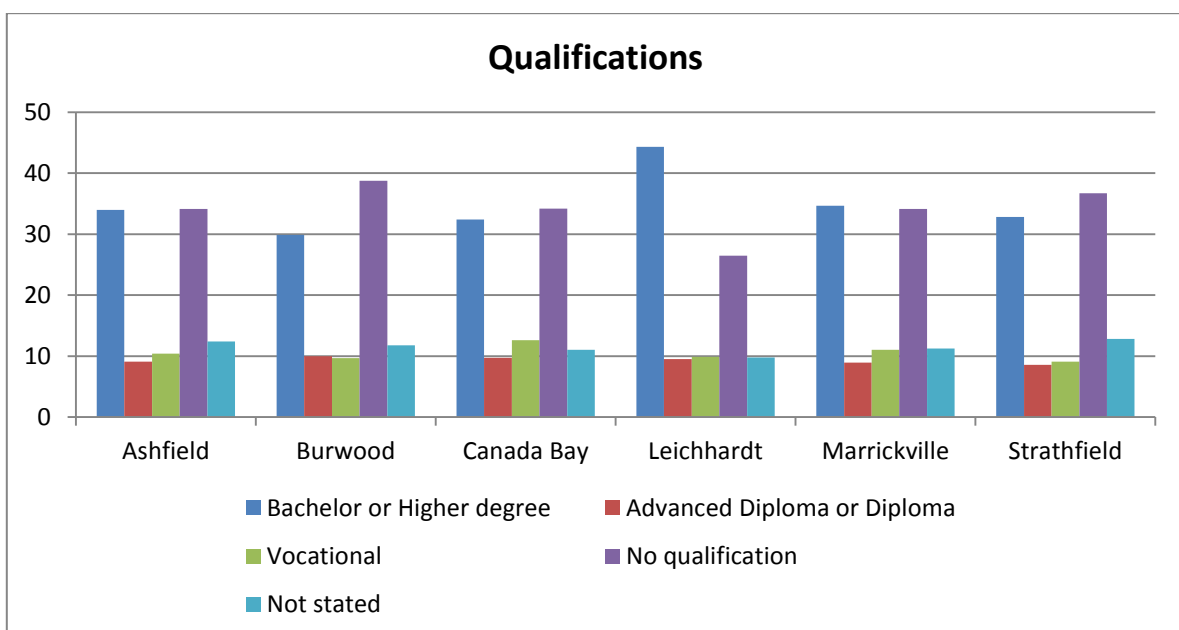
Overall, the inner west has high rates of Year 12 school completion with 55% the Year 12 completion rate for Sydney as a whole. Leichhardt has the highest rate of school completion, which is consistent with a range of other socioeconomic factors including household income.



5.2 Post school qualifications

Educational qualifications relate to education outside of primary and secondary school and are one of the most important indicators of socio-economic status. With other data sources, such as employment status, income and occupation, an area's educational qualifications help to evaluate the economic opportunities and socio-economic status of the area and identify skill gaps in the labour market.

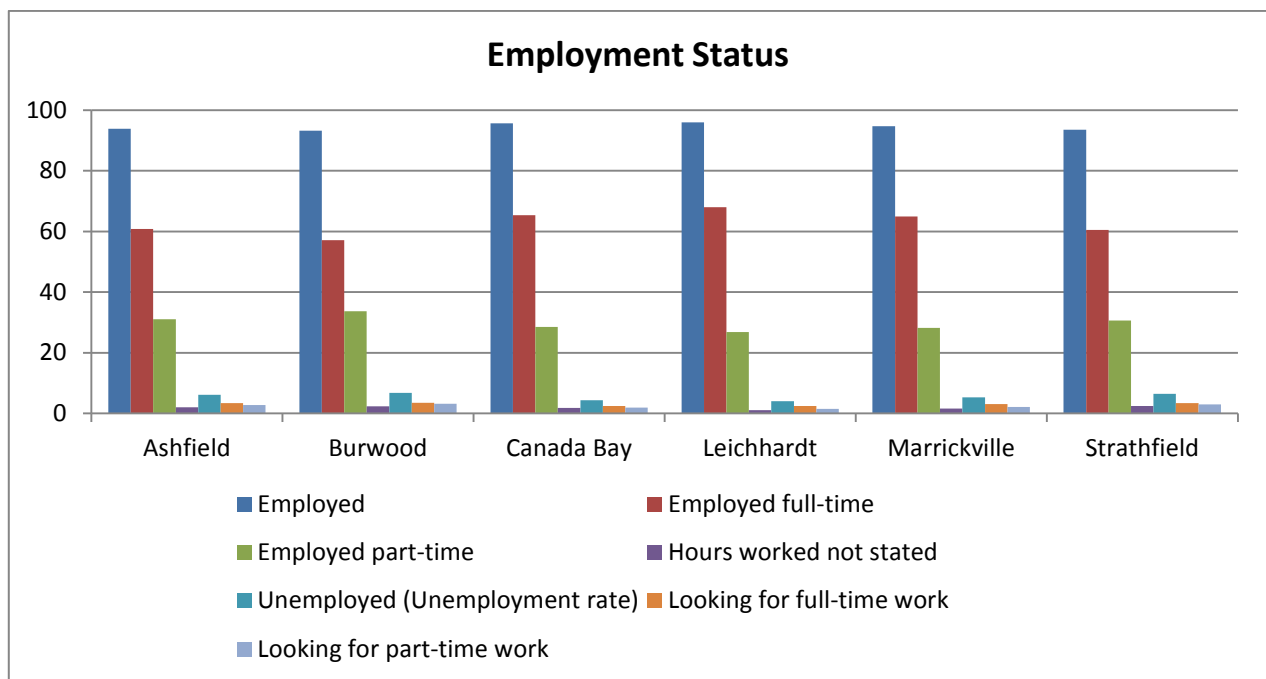
As with school completion, the inner west as a whole has a better education profile when compared with the rest of the Sydney area, which sees 24% of the population with bachelor or higher degrees, 15% with vocational qualifications and 40% with no qualification. Leichhardt has a significantly highest proportion of university qualified residents, and Burwood and Strathfield have the lowest educational profiles of the Inner West based on their rates of vocational qualifications and no qualifications.



6. LABOUR MARKET

Five of the council areas are in a cluster of areas with low unemployment, low social security take-up, reasonably high work availability and moderate FTE employment participation, along with high average earnings. Marrickville sits somewhat more unusually in a cluster of mostly rural and pastoral areas with moderate unemployment rates and social security take-up, however hours worked per week are higher than the other clusters and the FTE jobholding rate is high.

6.1 Employment status



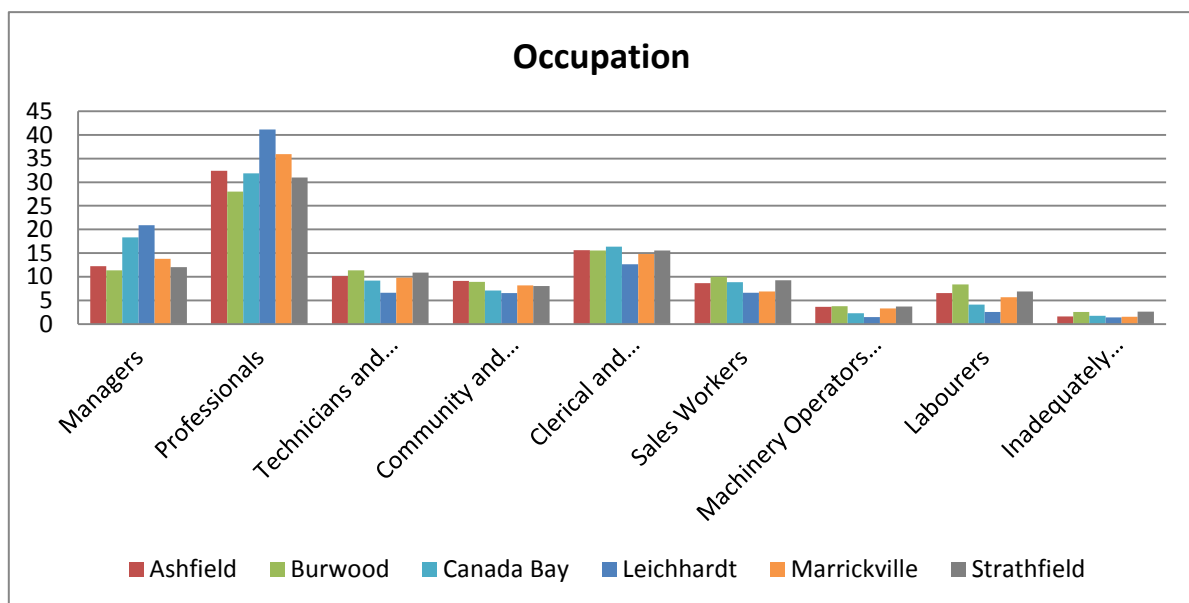
6.2 Industries of employment

The inner west has a relatively similar profile for industries of employment, with a predominance of health care and social assistance and professional, scientific and technical industries. Retail trade also features strongly.

	1	2	3
Ashfield	Health Care & Social Assistance	Professional, Scientific & Technical	Retail Trade
Burwood	Health Care & Social Assistance	Retail Trade	Accommodation & Food Services
City of Canada Bay	Professional, Scientific & Technical	Health Care & Social Assistance	Retail Trade
Leichhardt	Professional, Scientific & Technical	Health Care & Social Assistance	Education & Training
Marrickville	Professional, Scientific & Technical	Health Care & Social Assistance	Education & Training
Strathfield	Health Care & Social Assistance	Retail Trade	Professional, Scientific & Technical

6.3 Occupations

All inner west councils have a predominance of professionals, with Leichhardt particularly high. These are well above the Greater Sydney average of 25%. Leichhardt has the greatest overall proportion of its community employed in generally higher earning occupations, with higher proportions of Burwood and Strathfield residents in the generally lower earning occupations (trades, labouring).



7. HOUSEHOLD INCOME AND WEALTH

The six inner west council areas are clustered together in a group of 'middle income' areas with a high range and salary component (from which is deducted significant taxes), with property income also significant.

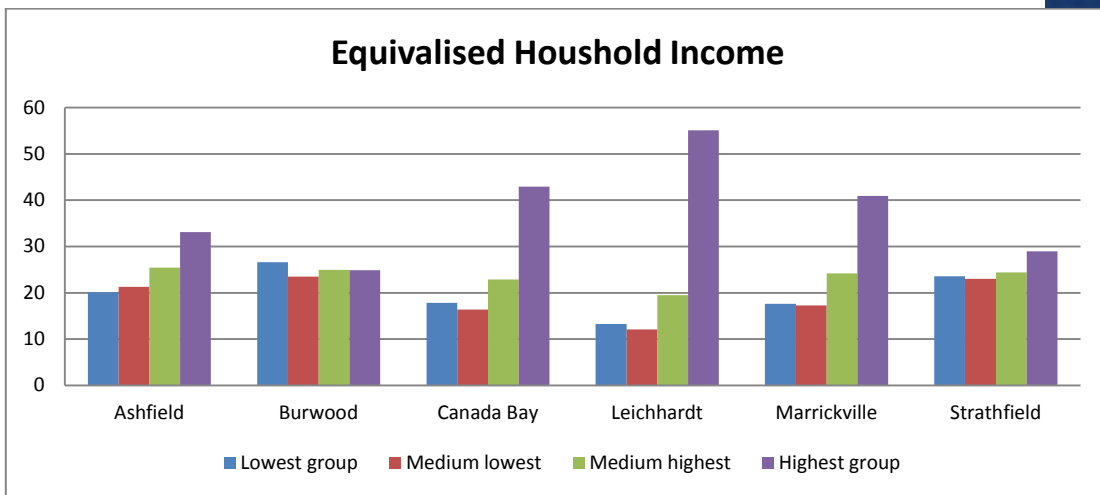
The six councils also sit in a cluster of areas with moderately high wealth per households (around \$0.85 million each), with much of the wealth in housing. Liabilities and the rate of growth of wealth are moderate.

7.1 Equivalised household income

Equivalised household income puts all households on an equal footing independent of household size and composition to enable a true comparison between areas and over time. It is an indicator of the income resource available to a household of standard size and is the best measure of the changing economic fortunes of households living in an area.

Leichhardt and the City of Canada Bay have the highest incomes in the Inner West, with the greatest proportion of households in the highest income quartile. With the exception of Burwood, all the council areas have the greatest proportion of households in this quartile. The highest income group for Burwood is the lowest income group, which amongst other factors reflects in the index of socioeconomic disadvantage (discussed below).

Burwood and Strathfield have the flattest income profiles with a more even spread of households across the income groups.

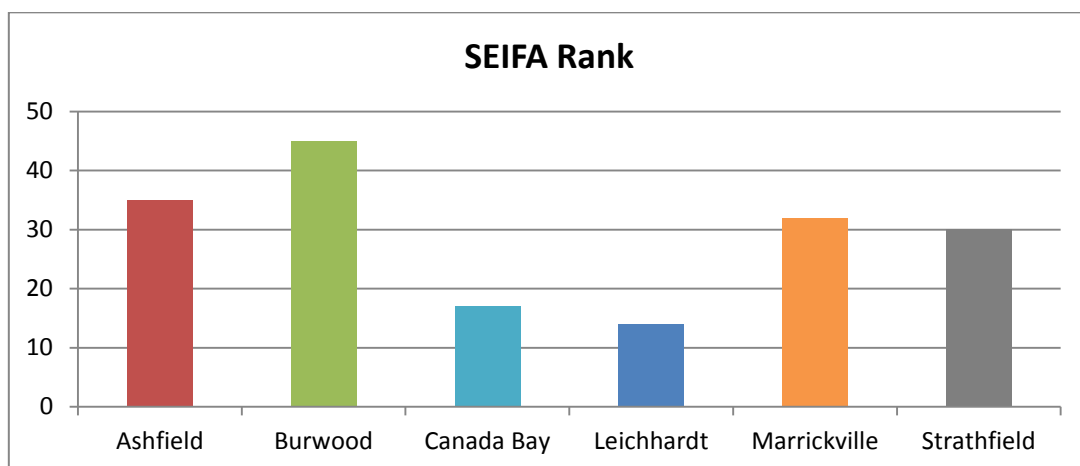


8. SOCIOECONOMIC DISADVANTAGE

The SEIFA Index of Disadvantage measures the relative level of socio-economic disadvantage based on a range of census characteristics. It is a good place to start to get a general view of the relative level of disadvantage in one area compared to others and is used to advocate for an area based on its level of disadvantage.

The index is derived from attributes that reflect disadvantage such as low income, low educational attainment, high unemployment, and jobs in relatively unskilled occupations.

Lower scores on the index reflect higher levels of disadvantage, where higher scores indicate greater advantage. The SEIFA index provides a ranking of all 152 NSW council areas, as follows, where 1 is the most advantaged area.



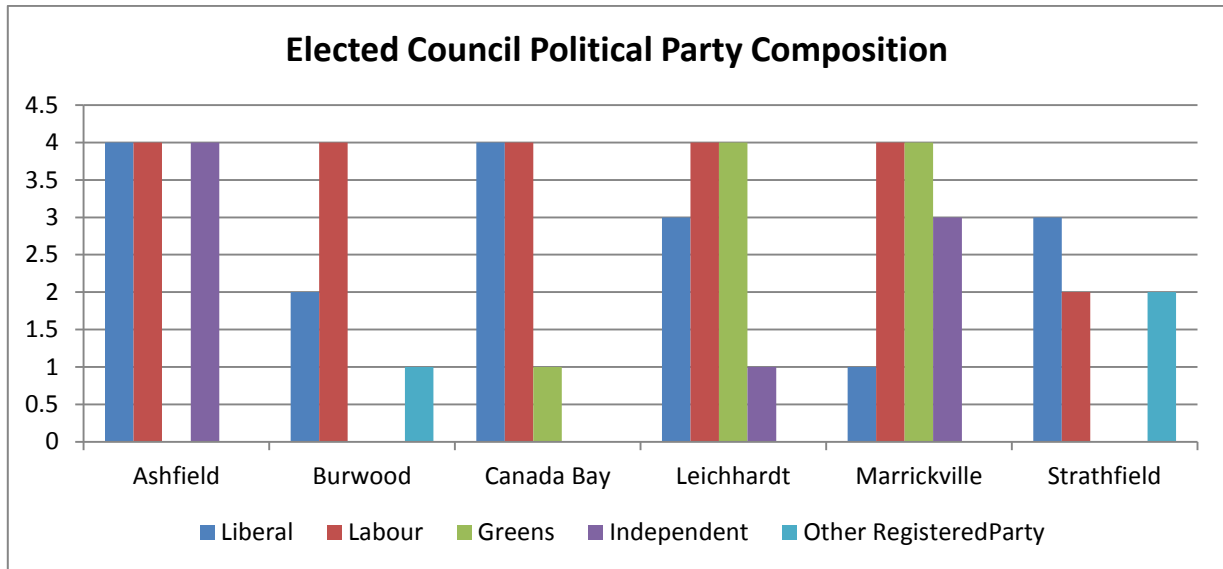
Leichhardt is ranked 14 and the City of Canada Bay 17 in New South Wales, indicating that these are areas of socioeconomic advantage. Burwood is the lowest ranked area in the inner west at 45.

This puts all the inner west areas in the top third of the state, and Leichhardt and the City of Canada Bay around the top 10%.

9. POLITICAL PARTY COMPOSITION

9.1 Local government

The composition of each elected council within the inner west is presented below:



There are some notable differences across the inner west:

- Ashfield and the City of Canada Bay are both equally dominated by Liberal and Labour Councillors
- Leichhardt and Marrickville are both equally dominated by Labour and Greens Councillors
- Burwood stands alone as a strongly Labour council
- Strathfield is a Liberal dominant council with equal representation from Labour representatives and small numbers of other registered parties (Strathfield focused)
- Leichhardt has a stronger Liberal presence than Marrickville, which is more represented by Independent Councillors

9.2 State and federal government

	State Electorate	Party	Federal Electorate	Party
Ashfield	Strathfield, Summer Hill, Canterbury	Labour/Liberal/ Labour	Grayndler	Labour
Burwood	Strathfield	Liberal	Reid, Watson	Liberal, Labour
City of Canada Bay	Strathfield, Drummoyne	Liberal	Reid	Liberal
Leichhardt	Balmain	Greens	Grayndler	Labour
Marrickville	Heffron, Summer Hill	Labour	Grayndler	Labour
Strathfield	Strathfield, Lakemba	Liberal/Labour	Reid, Watson	Liberal, Labour

Whilst there is a diversity of political parties represented across the inner west, there is a predominance of Liberal State MPs and a more even spread amongst the Federal representatives.

10. LOCAL ECONOMIC FEATURES

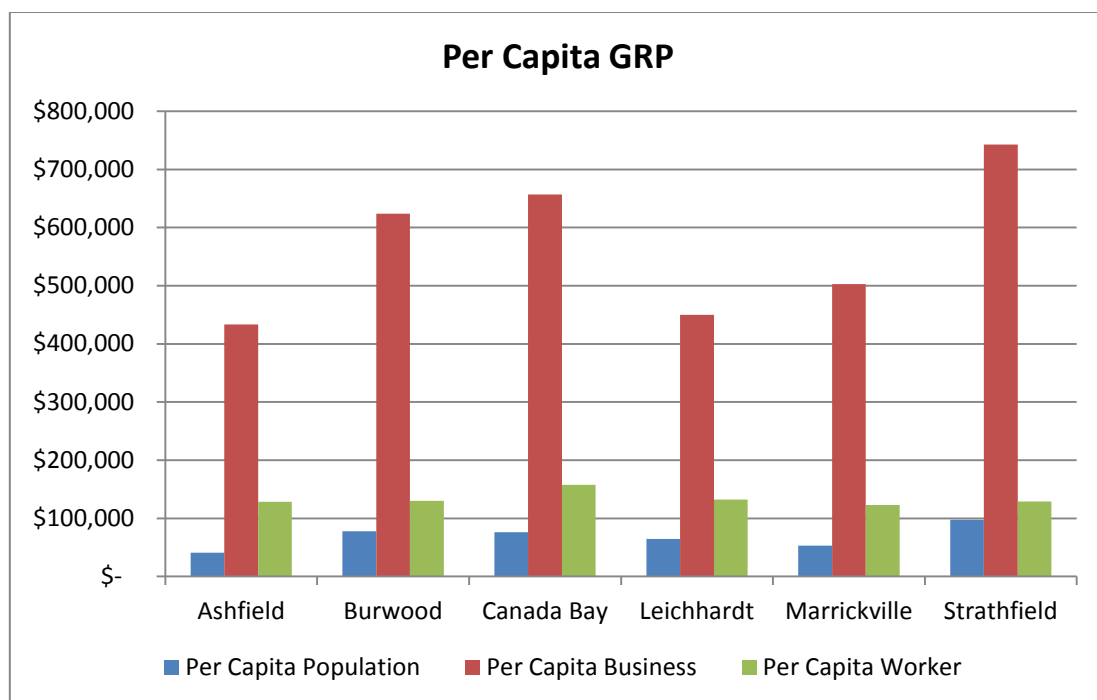
10.1 Gross regional product

The gross regional products for each of the inner west council areas are:

Ashfield	\$ 1,680,000,000
Burwood	\$ 2,520,000,000
City of Canada Bay	\$ 5,740,000,000
Leichhardt	\$ 3,320,000,000
Marrickville	\$ 4,010,000,000
Strathfield	\$ 3,410,000,000

In gross terms, the City of Canada Bay has the largest total economy, followed by Marrickville. Ashfield's is the smallest.

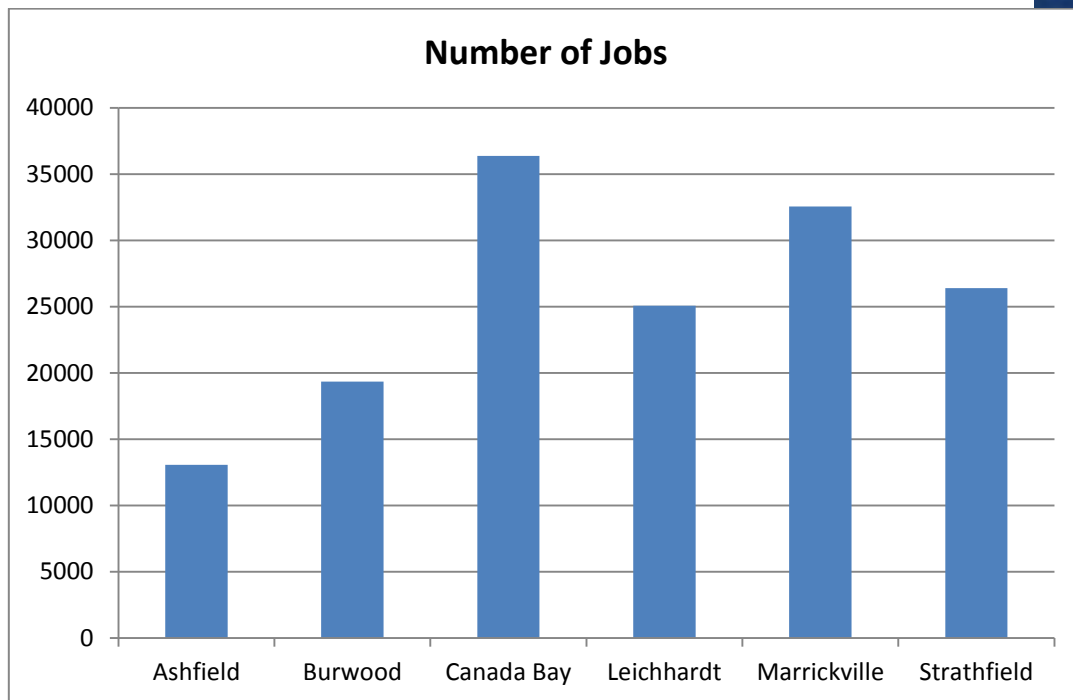
When this is considered in per capita terms, the following can be seen:



For its population size, Strathfield has a relatively large economy, with almost \$750,000 GRP per head of population, \$100,000 per business and \$130,000 per worker. In these relative terms, the City of Canada Bay is also a high value economy. Ashfield is again the smallest economy.

10.2 Size of workforce

The number of jobs located within each area is as follows:



The City of Canada Bay and Marrickville are the highest employment areas, with Ashfield and Burwood the smallest.

10.3 Knowledge Economy

The knowledge economy is an indicator of areas where there are high levels of innovation, creativity and knowledge based activity. The *Similarities and Differences* report identifies these areas as characterised by a higher number of patents; employment in the creative arts; post-school qualifications in society, culture or the creative arts; same sex couples; proportion of jobs in professional and scientific services; and post graduate degrees.

Marrickville, Leichhardt and Ashfield are in a cluster of councils notable for their “high arts activity, high professional employment and high level of postgraduate qualifications, a moderately high proportion of same-sex couples and moderate patent application rates... The cluster has no members outside the inner metropolitan area. On the indicators considered, at least, the knowledge economy in New South Wales is synonymous with global Sydney”.

The report singles out the Marrickville LGA as containing peak arts employment in NSW, at 1.7%. A report on cultural occupations prepared by Profile ID for Marrickville Council, supports this showing that in 2011, 8.2% of Marrickville’s resident population work in cultural occupations, compared to Greater Sydney’s 5.5%. In terms of local employment, 11.2% of Marrickville’s workers are employed in cultural occupations, compared to Greater Sydney’s 5.3%, and Marrickville has clear industry specialisations in printing, film and video, music and sound recording, design, photography and creative and performing arts. Marrickville (and Leichhardt and Waverley) was identified as the second highest LGA with a proportion of residents with post school qualifications in society, culture or creative arts, just behind Woollahra’s 35%

11. INTERDEPENDENCE AND ECONOMIC RELATIONSHIPS

According to the similarities and differences study, New South Wales is held together by the relationship between each LGA and the City of Sydney as a provider of governmental and financial services, as well as retail, entertainment and other services. Patterns of demand in the inner metropolitan areas converge on the City of Sydney.

Judging by retail employment, despite mall competition the City of Sydney still occupies the peak of the retail hierarchy. Within the extended metropolitan area the following relationships may be observed. The prominence of Sydney is mirrored by the relative underdevelopment of retailing in Woollahra, Randwick and the inner western suburbs generally.

Within the metropolitan area, retail employment is well above state average in relation to disposable income in a number of inner west council areas, including:

- the prominence of Auburn and Strathfield in retailing appears to be due to backup services, or may be related to Olympic Park
- Burwood has a high ratio of retailing employment to disposable income, drawing custom from nearby low-retail suburbs such as City of Canada Bay and Canterbury.

This report finds that Burwood has some status as an independent centre based on the pattern of economic relationships.

11.1 Metro commuter clusters

The similarities and differences report identified the following clusters in which the inner west council areas are grouped:

- Inner Ring - >35% of resident workforce employed in City of Sydney (Leichhardt, Marrickville)
- Middle Ring – 20<35% employed in City of Sydney (remainder)

11.2 Workers' place of residence

The most prominent places of residence for people employed in the inner west are:

	First	Second	Inner West Total
Ashfield	Ashfield 24.6%	Canterbury 8.5%	44.9%
Burwood	Burwood 14.4%	Marrickville 6.1%	35.4%
City of Canada Bay	City of Canada Bay 24.1%	Ryde 5.6%	38.9%
Leichhardt	Leichhardt 27.1%	Marrickville 6.1%	45.8%
Marrickville	Marrickville 24.4%	Canterbury 11%	31.1%
Strathfield	Strathfield 10.3%	Canterbury 5%	15.6%

The highest proportion of jobs in each area are taken by residents of that area, however Burwood and Strathfield have far lower proportions than the other inner west areas. Canterbury is a relatively high provider of employees to the inner west. Jobs in the other council areas are performed by residents to the rate of around one quarter.

Overall the workers in the inner west also reside in the Inner West at quite differing rates, from as high as 46% and 45% for Leichhardt and Ashfield, down to 16% for Strathfield.

This needs to be considered in conjunction with the type of jobs that are in each area to understand these differences.

11.3 Residents' place of work

Residents' place of work is consistent with the dominance of central Sydney as an employment hub:

	Top Place of Work	Live and Work in Area	Inner West Total
Ashfield	Inner Sydney 19%	11.8%	23.4%
Burwood	Inner Sydney 15.7%	14%	24.2%
City of Canada Bay	Inner Sydney 17.9%	17.1%	28.6%
Leichhardt	Inner Sydney 26%	17.2%	21.4%
Marrickville	Inner Sydney 20.3%	13.6%	17.6%
Strathfield	Inner Sydney 14.3%	12%	21.8%

The City of Canada Bay and Leichhardt have the highest rates of employment containment (residents living and working in the same area), with Ashfield and Strathfield the lowest. Overall, the rate of employment containment in the Inner West is generally around one-fifth to one-quarter for each local area, with the outliers being Strathfield at 18% and the City of Canada Bay at 29%.

11.4 Migration patterns

The following migration patterns occurred within each council area between 2006 and 2011:

	Highest Net Gains	Highest Net Losses
Ashfield	<ol style="list-style-type: none"> 1. Leichhardt 2. Sydney 3. Marrickville 	<ol style="list-style-type: none"> 1. Canterbury 2. City of Canada Bay 3. Parramatta
Burwood	<ol style="list-style-type: none"> 1. Ashfield 2. Marrickville 3. Sydney 	<ol style="list-style-type: none"> 1. Strathfield 2. Parramatta 3. City of Canada Bay
City of Canada Bay	<ol style="list-style-type: none"> 1. Leichhardt 2. Sydney 3. Ashfield 	<ol style="list-style-type: none"> 1. Ryde 2. Ku-ring-gai 3. Auburn
Leichhardt	<ol style="list-style-type: none"> 1. Sydney 2. Woollahra 3. North Sydney 	<ol style="list-style-type: none"> 1. City of Canada Bay 2. Ashfield 3. Marrickville
Marrickville	<ol style="list-style-type: none"> 1. Sydney 2. Randwick 3. Leichhardt 	<ol style="list-style-type: none"> 1. Canterbury 2. Rockdale 3. Bankstown
Strathfield	<ol style="list-style-type: none"> 1. Burwood 2. Canterbury 3. Ashfield 	<ol style="list-style-type: none"> 1. Auburn 2. Parramatta 3. Blacktown

The following observations can be made:

- Leichhardt is taking new residents from non-inner west areas, but their residents tend to move within the inner west
- Ashfield's new residents are mostly from other inner west council areas, and their residents tend to move further west to Canterbury and Parramatta, with the exception of the City of Canada Bay
- Ashfield and Marrickville lost the greatest proportion of their residents to Canterbury
- Strathfield gains residents from within the inner west, primarily from Burwood. This is the only area which has the highest net gains from Burwood
- Strathfield residents who leave the area tend west as far as Parramatta and Blacktown
- Overall more of the net gains are from within the inner west than other areas

11.5 Relationship clusters

Four of the general indicators of neighbourly relationships mentioned in above allow LGAs to be compared without reference to their particular neighbours. They are the commuterbalance (jobs within the LGA in relation to the number of resident jobholders), the proportion of workers working within the same LGA, retail job generation in relation to resident income and short-distance migration.

12. SERVICING

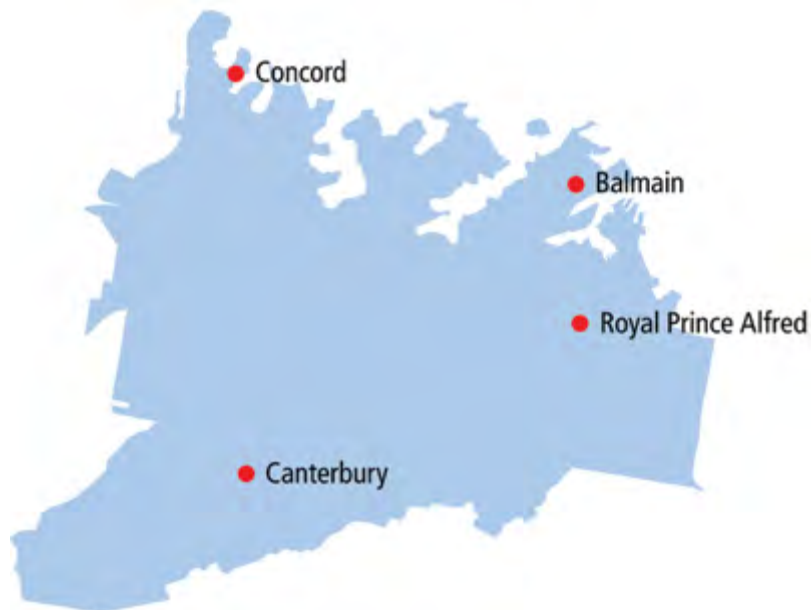
12.1 State and federal government services

The inner west is typically grouped within the same region for the purposes of State and Federal service delivery and strategic planning. Examples include:

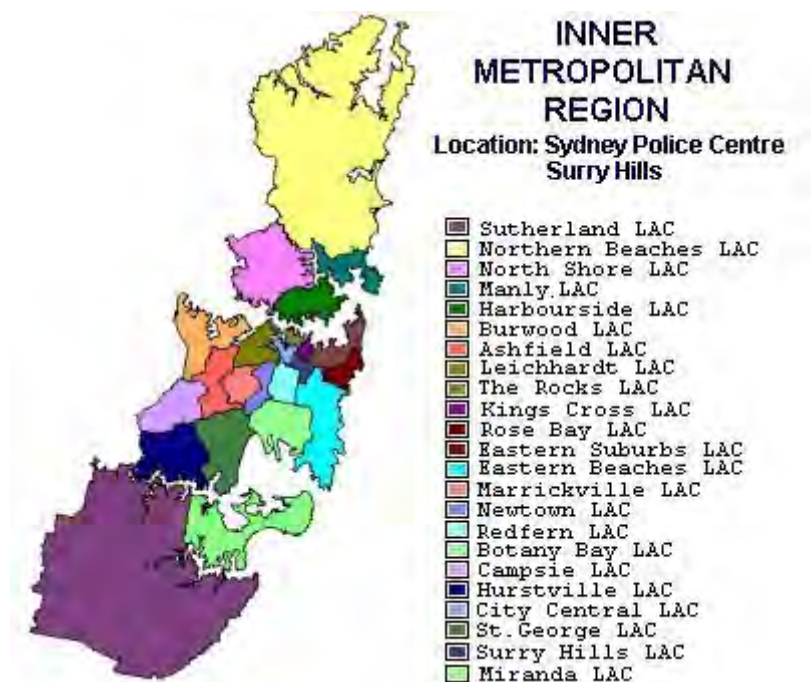
1. Medicare Local, Inner West Sydney



2. NSW Health, Sydney Local Health District

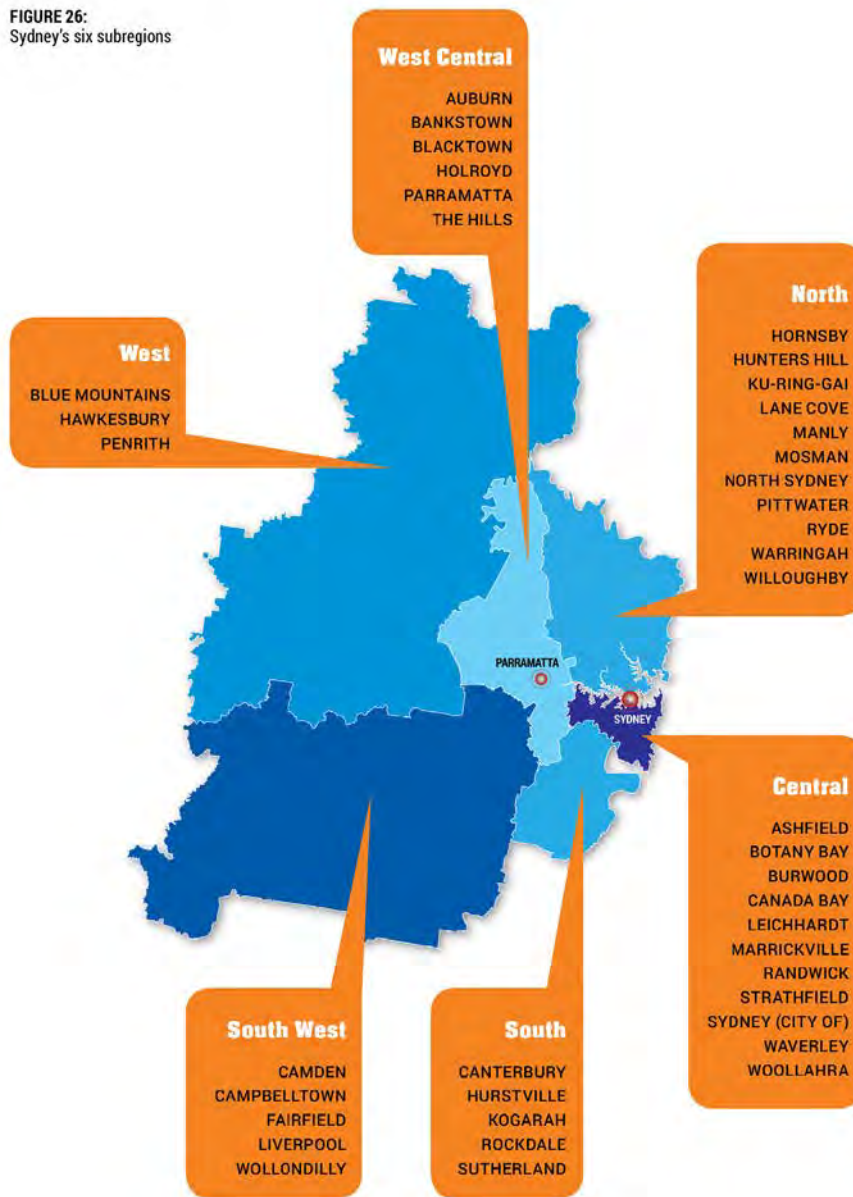


3. NSW Police, Inner Metropolitan Region



4. NSW Metropolitan Strategy, Central Subregion

FIGURE 26:
Sydney's six subregions



12.2 Local government services

A snapshot analysis of one inner west council area shows that council services are used by non-residents, and are not restricted to local government boundaries. These include child care services, libraries, recreation centres and sporting clubs (of which around one-third of members are non-residents).

All of the inner west councils deliver a range of services that have broad appeal and benefit across the region, including events, waste services, and the range of community and recreation services and facilities.

APPENDIX I Shared Services – Costs and Benefits

		Short	Medium	Long
		years 0 -3	year 4- 5	ongoing
Works and tech Services	Harmonisation	-500,000		
	Accommodation/Signs/Branding	-500,000		
	IT	-2,000,000		
	Transitional Body	-1,000,000		
	Staff Savings		24,300,000	60,750,000
	Plant Rationalisation	6,600,000		
	Asset Rationalisation			
	Contacts	6,132,000	2,726,000	23,000,000
	Sub total	8,732,000	27,026,000	83,750,000
Back of House	Harmonisation	-500,000		
	Accommodation/Signs/Branding	-500,000		
	IT	-70,000,000		50,000,000
	Transitional Body	-2,000,000		
	Staff Savings		17,200,000	43,000,000
	Sub Total	-73,000,000	17,200,000	93,000,000





Marrickville Council
**MORRISON LOW
REPORT**
-AIRPORT COUNCILS
Attachment 5

Airport Councils

Fit for the Future - Shared Modelling

March 2015

TABLE OF CONTENTS

1.	INTRODUCTION.....	1
1.1	Fit for the Future.....	1
1.2	Shared modelling.....	1
1.3	Tight timeframes.....	2
2.	SCOPE 3	
2.1	Multiple scenarios.....	3
2.2	Reporting.....	4
2.3	Modelling.....	4
3.	SUMMARY OF CONCLUSIONS.....	5
3.1	Modified status quo	5
3.2	Airport council.....	6
4.	DETAILED ANALYSIS	12
4.1	Status quo	12
4.2	Each council optimum.....	17
4.3	Merged council	21
5.	SHARED SERVICES	51
6.	CONCLUSIONS.....	53
6.1	Modified status quo	53
6.2	Airport council.....	54
APPENDIX A	Fit For The Future Benchmarks.....	60
APPENDIX B	Combined Status Quo Assessment against the Fit for the Future Benchmarks..	65
APPENDIX C	Costs and Benefits arising from a Merger of the Airport Councils – Detailed Assumptions	69
APPENDIX D	High Level Comparison of Services and Service Levels.....	83
APPENDIX E	Capacity.....	88
APPENDIX F	Comparison of the Approach to the Natural and Built Environment of the Three Airport Councils.....	90
APPENDIX G	Comparison of Community Strategic Plans of the Three Airport Councils	97
APPENDIX H	Detailed Community Profile.....	99
APPENDIX I	Shared Services Costs and Benefits	125

TABLES

Table 1	Marrickville Council (status quo) performance against Fit for the Future benchmarks	5
Table 2	Summary of infrastructure funding gap.....	6
Table 3	Operating performance funding gap.....	6
Table 4	Merged council asset funding gap.....	7
Table 5	NPV of the merged council asset funding gap.....	7
Table 6	Merged council performance against Fit for the Future benchmarks	8
Table 7	Summary of costs and savings.....	10
Table 8	Fit for the Future benchmarks 2014	13
Table 9	Marrickville Council (status quo) performance against Fit for the Future benchmarks	13
Table 10	Operating performance funding gap.....	18
Table 11	Asset maintenance funding gap	18
Table 12	Asset renewal gap.....	19
Table 13	Cost to bring assets to satisfactory.....	20
Table 14	Combined asset funding gap.....	21
Table 15	Comparison of proposed airport council and Sutherland Council	21
Table 16	Environmental indicators.....	29
Table 17	Comparison of representation	29
Table 18	High level description of financial costs and savings arising from merger.....	34
Table 19	Summary of financial costs and savings	35
Table 20	Summary of financial costs and savings.....	36
Table 21	Financial investment required to satisfy infrastructure benchmarks.....	36
Table 22	Summary of financial impacts of merger	37
Table 23	Comparison of proportion of residential and business rates	39
Table 24	Comparison of debt.....	42
Table 25	Scale and capacity in the airport councils.....	43
Table 26	Summary of airport council using Fit for the Future indicators	44
Table 27	Merged council asset maintenance funding gap.....	49
Table 28	Merged council asset renewal funding gap	49
Table 29	Merged council renewal funding gap.....	49
Table 30	Merged council asset funding gap.....	49
Table 31	Operating performance funding gap.....	50
Table 32	Estimated costs and benefits from shared services.....	52
Table 33	Marrickville Council (status quo) performance against Fit for the Future benchmarks	53
Table 34	Summary of infrastructure funding gap.....	54
Table 35	Operating performance funding gap.....	54
Table 36	Merged council asset funding gap.....	55
Table 37	NPV of the merged council asset funding gap.....	55
Table 38	Merged council performance against Fit for the Future benchmarks	55
Table 39	Summary of costs and savings.....	58

FIGURES

Figure 1	Map of airport councils	12
----------	-------------------------------	----

Figure 2	Operating performance ratio	14
Figure 3	Own source revenue	14
Figure 4	Debt service ratio	15
Figure 5	Asset renewal ratio.....	15
Figure 6	Infrastructure backlog ratio.....	16
Figure 7	Asset maintenance ratio.....	16
Figure 8	Real operating expenditure per capita.....	17
Figure 9	Infrastructure backlog recalculated using the standard Morrison Low methodology	20
Figure 10	Key services and facilities of the airport councils.....	22
Figure 11	Location of the libraries of the airport councils.....	24
Figure 12	Location of the swimming pools of the airport councils	24
Figure 13	Summary of City of Botany Bay Community Strategic Plan.....	30
Figure 14	Summary of Marrickville Community Strategic Plan	30
Figure 15	Summary of Rockdale Community Strategic Plan	31
Figure 16	Average residential rate (2014)	38
Figure 17	Average business rate (2014)	38
Figure 18	Comparison of minimum rates (2014)	39
Figure 19	Change in residential rate (ad valorem).....	40
Figure 20	Change in residential rate (base rate)	40
Figure 21	Change in business rate (ad valorem).....	41
Figure 22	Change in business rate (base rate)	41
Figure 23	Scale and capacity	43

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Document Status

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1. INTRODUCTION

1.1 Fit for the Future

Three years ago, local councils from throughout NSW gathered for a summit, Destination 2036, to plan how local government could meet the challenges of the future. As a result, councils agreed that change was needed and that they wanted to be strong and sustainable and to make a positive difference in their respective communities. However, there were various views as to how this could be achieved and in April 2012 the State Government appointed an independent expert panel to carry out a review of the sector. That Independent Local Government Review Panel consulted widely in developing its final recommendations which were presented to the Government in late 2013.

The panel concluded that for councils to become strong and sustainable, both the NSW Government and the local government sector would have to play a part. The State indicated its preparedness to change the way it works with councils and to support them through meaningful reform. Local councils must also be prepared to consider new ways of working and new structural arrangements. The Fit for the Future program brings these changes together to lay the foundations for a stronger system of local government and stronger local communities.

The Fit for the Future program requires councils to actively assess their scale and capacity in achieving long term sustainability and for councils to submit proposals to the Government indicating how they will achieve these objectives.

Marrickville Council and Rockdale City Council have approached Morrison Low to undertake shared modelling across a broad range of factors (financial, social, environmental) in order for each council to understand the implications of an alternative local government merger to that proposed by the Independent Local Government Review Panel for councils that border Sydney airport. Although not a participant in the exercise, data for the City of Botany Bay has been included where possible from publicly available sources.

The government has a position based on the independent review panel recommendation for three different mergers for the airport councils. As has become clear to each of the councils affected by this recommendation there is little information about the benefits and dis-benefits of the proposed merger, nor any ready information about whether and why a large scale merger is the best option.

1.2 Shared modelling

The modelling is prepared on the basis of the information publicly available and augmented by the councils. The exception to this is the data in relation to City of Botany Bay which is comprised only of that information that is publicly available. The modelling is provided identically to all of the councils in the project.

Where the data is inconsistent or unclear it has not been included and will be recorded as either 'no data' or 'no result'.

1.2.1 Providing information to enable councils to individually make their decisions

The modelling is intended to allow the councils to individually and collectively understand what the benefits and dis-benefits of the merger of the airport councils and a series of other options might be. It has involved analysing historic, current and forecast performance as well as drawing in information from other jurisdictions in which we have been involved in local government reform (for example, transitional costs).

The project is not intended to advise each council of the best option for them (although it may naturally fall out of the modelling) or to form the framework of any submission for Fit for the Future. The project simply provides the information that will enable each council to determine its individual course of action, undertake informed consultation with its community, and ultimately form the basis of the council's submission.

1.3 Tight timeframes

The timeframes for this project have been challenging but we appreciate that the work has been required in haste to allow plenty of time for each council to work through issues with the community or potential merger partners and prepare submissions for 30 June 2015.

Notwithstanding that we fully understand the need for those tight timeframes, that understanding is tempered with a recognition that the data available for modelling has some limitations as a result. The standardisation of the data across the three councils has been conducted on a best efforts basis under those particular timing constraints.

The data provided within the model is drawn from a variety of sources (including the councils directly) however it is acknowledged that the timeframe limits our capacity to refine both the available data and the model itself to a fine level of detail. For consistency across the group of councils, publicly available information has formed the basis of the analysis. This has been refined and modified through discussions and workshops with the councils, except in the case of City of Botany Bay where only publically available information was used.

Notwithstanding these constraints, we have had great support from the staff of each council, providing quick responses to our requests for information and active and knowledgeable participation in the workshops. We thank the executives and staff of the councils for their input and cooperation.

2. SCOPE

2.1 Multiple scenarios

The shared modelling project was undertaken on the basis of evaluating the following options.

1. Status Quo

The baseline is measured against what each council has reported the current and future financial position to be. The analysis is based on the published Financial Statements and Long Term Financial Plans of the councils. Marrickville has submitted an application for a Special Rate Variation and an alternative scenario has been modelled which recognises the impacts of the Special Rate Variation. Equally a Rockdale modified scenario has also been modelled to take into account changes being implemented in the calculation and treatment of depreciation.

2. Modified Status Quo

This scenario answers the question as to what each council would need to do to meet the Fit for the Future benchmarks. It does not address the question of scale and capacity and concentrates on the seven government benchmarks.

The scenario is built up by separately considering the operating result, asset renewal, asset maintenance, and the infrastructure backlog. It identifies what, if any, funding gap exists but it does not identify how the gap is to be resolved as that is a question for each individual council. In some cases this has required a standardised approach to be used to provide comparability.

We acknowledge the work each council has done to understand its assets and community priorities and our analysis and assessment should be understood as applying to the context.

3. Merged Council

This scenario models a merger of the three councils and assesses the advantages and disadvantages of this against a series of criteria. The agreed criteria include financial and non-financial indicators and go beyond the government's Fit for the Future benchmarks to incorporate communities of interest and the alignment between the council organisations.

4. Other Potential Mergers

Other possible merger combinations were dealt with by providing the councils with a working model that allows each to individually assess the cost, benefits and implications of a merger of any combination of the three councils.

5. Shared Services

Under this scenario a theoretical design for shared services based on the concept originally developed by SSROC was developed. That concept was refined based on our experience and using other examples of successful shared services models operating elsewhere.

The scenarios assess the advantages and disadvantages of this approach including the financial costs and benefits.

2.2 Reporting

This report is intended to provide a collective body of information that each council will then use to determine what is in the best interests of the council and community. As such it does not seek to recommend any one option over another option for a particular council.

The report compares options and highlights advantages and dis-advantages. The relative weighting that each council then applies will be a matter for each individual council.

A report has been prepared for each council using the same information. The differences arise in the form of presenting the information. For example, section 4.1 of the report sets out the assessment of the status quo against the Fit for the Future benchmarks. This section of each report presents the relevant council results in the body of the report. The results of all councils are set out in the Appendix. We believe that this ensures that all councils receive the same information but tailored to that which is of most relevance to them.

2.3 Modelling

During the project we have built a model that enables the comparison of a range of both qualitative and quantitative variables across a set of standard indicators (which were agreed) including key data from each council about their assets, financial sustainability, community profile and services/service levels.

A working copy of the model has been provided to each of the councils and it has the functionality to enable each individual council to compare the full range of scenarios to the status quo, understand what drives the assessment and drill down into the comparison. This will be particularly valuable for assessing the multiple combinations identified in the quotation request based on what is important to each council.

This report, and the associated modelling, is intended to provide the capability to compare and assess the variety of options. The report is not intended to provide any recommendation or recommendations for any council or councils to select.

3. SUMMARY OF CONCLUSIONS

The Government has made it clear that the starting point for every council is scale and capacity. The Independent Panel position was that scale and capacity for each of the three councils arises through a merger with other councils. The City of Botany Bay with the eastern beaches and the city, Marrickville with the inner west and Rockdale with St George Councils and Canterbury. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

The table below provides a summary of the Council's performance against the benchmarks.

Table 1 Marrickville Council (status quo) performance against Fit for the Future benchmarks

Indicator	Modelling Outcome (without SRV)	Modelling Outcome (with SRV)
Operating Performance	Meets the benchmark in 2018	Meets the benchmark in 2017
Own Source Revenue	Already exceeds benchmark	Already exceeds benchmark
Debt Service Cover	Already exceeds benchmark	Already exceeds benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark
Asset Renewal	Doesn't meet benchmark	Meets benchmark by 2022
Infrastructure Backlog	Doesn't meet benchmark	Doesn't meet benchmark
Real Operating Expenditure	Meets the benchmark	Meets the benchmark

3.1 Modified status quo

In order to meet the Fit for the Future benchmarks each of the councils require an increase in revenue and/or a decrease in costs to address both an operating deficit (as judged against the operating performance ratio criteria) and short and longer term infrastructure issues.

Marrickville has begun this process by submitting a Special Rate Variation while Rockdale has undertaken an internal review including importantly for the purposes of this project valuation of assets and depreciation.

The table below identifies the extent of the funding gap to address the infrastructure benchmarks of asset maintenance ratio¹, renewal ratio and bringing the infrastructure backlog² to the benchmark of 2% within five years. After that the funding gap diminishes for each council in order to satisfy only the renewals and maintenance ratios. The analysis is against each council's base case and does not include the Marrickville SRV or modified Rockdale reporting scenarios.

¹ Based on Morrison Low's assessment of required maintenance

² Based on condition 3 being satisfactory and as calculated using the Morrison Low methodology

Table 2 Summary of infrastructure funding gap

Council ³	Average funding required per annum (5 years) (\$000)	Average funding required per annum (5 years+) (\$000)
City of Botany Bay	-\$ 2,678	-\$ 1,055
Marrickville	-\$ 8,439	-\$ 4,921
Rockdale	-\$ 5,691	-\$ 4,987

The table below identifies the average annual gap between operating revenue and operating expenditure (as per the operating performance ratio guidelines) over the time period within each council's LTFP. Each council will also need to address this in order to meet the benchmark. As Marrickville attains a positive Operating Performance ratio over the period being modelled there is not considered to be a funding gap.

Table 3 Operating performance funding gap

Council	Average gap (\$000)
City of Botany Bay	-1,300
Marrickville	N/A
Rockdale	-4,900

The process undertaken during this project identified a range of areas in which the councils can work together either through a shared services model as set out in this report or through some other collaborative working or procurement arrangement.

Even if the additional expenditure requirements set out above are achieved and a council meets all the Fit for the Future benchmarks, which logic would dictate means that scale and capacity has therefore been met, a council will still need to address the government's starting point of scale and capacity first. Interestingly in the case of each of these councils the Independent Panel position was that scale and capacity for each was achieved by a merger with different councils.

While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

3.2 Airport council

3.2.1 Scale and capacity

The independent panel recommendation proposed different merger options for each of the airport councils. Under the Fit for the Future reforms this means each of these models would satisfy the scale and capacity test.

³ Infrastructure funding gap does not take into account any potential SRV applications

Only a merger of the three councils appears to satisfy what appears to be the scale and capacity requirement of a population of 250,000 (based on the average size of council's not proposed for merger) by 2031. A merger of Marrickville and Rockdale will come close to satisfying this test but any other two council option amongst the airport councils will not.

3.2.2 Fit for the Future benchmarks

The merged council is the sum of its parts. This means that the asset and financial position of each council directly contributes to the overall asset and financial position of the merged council.

The asset focus of the Fit for the Future benchmarks means that like the individual councils, the merged council does not meet the asset related benchmarks. A funding gap in order to address the asset maintenance, asset renewal and infrastructure backlog ratios exists which is set out in the table below.

Table 4 Merged council asset funding gap

Council	Average funding required per annum (5 years) (\$000)	Average funding required per annum (5 years+) (\$000)
Merged Council	-18,198	-12,352

The NPV of the financial costs of the investment required to meet all the infrastructure benchmarks⁴ is set out below (a negative number indicates a cost).

Table 5 NPV of the merged council asset funding gap

NPV at 4%	NPV at 7%	NPV at 10%
-\$130 million	-\$115 million	-\$103 million

The significant transitional costs identified throughout this report mean the operating performance ratio is negative from day one and while some efficiency benefits have been modelled in arising through the merger these are not sufficient to improve the financial performance of the council. The trend over the period modelled is for the operating result (excluding grants and contributions for capital purposes) to improve through until 2021 before declining again, but the merged council never satisfies the operating performance ratio.

The debt service and own source revenue ratios are exceeded by the merged council from day one and remain above the benchmarks throughout the period being modelled.

The table below summarised the merged council performance against the benchmarks.

⁴ Asset maintenance and renewals are satisfied from year 1 and the infrastructure backlog within five years

Table 6 Merged council performance against Fit for the Future benchmarks

Indicator	At Day One	Over Modelling Period
Operating Performance	Does not meet the benchmark	Does not meet the benchmark
Own Source Revenue	Meets the benchmark	Meets the benchmark
Debt Service Cover	Meets the benchmark	Meets the benchmark
Asset Maintenance	Does not meet the benchmark	Does not meet the benchmark
Asset Renewal	Does not meet the benchmark	Does not meet the benchmark
Infrastructure Backlog	Does not meet the benchmark	Does not meet the benchmark
Real Operating Expenditure	Not applicable	Meets the benchmark

3.2.3 Debt

The debt levels across the councils are low (total debt is \$22.3M) and, in the case of the City of Botany Bay, non-existent. All councils are well below the debt service ratio and the same is true for the merged council. Typically, the consolidation of debt in a merger can be a community issue as a community with little or no debt may perceive as unfair having to repay debt that ‘belongs’ to other communities and other community’s assets. In the case of the airport councils this may arise for the City of Botany Bay residents who currently carry no debt.

3.2.4 Rates

Modelling the changes in rates in a merger is very difficult to do with any degree of accuracy. Presently there are a number of significant differences in the rating systems of the councils which impact on the rates charged to an individual property. The key examples are the different minimum rates across the three councils as well as large variations in the proportion of rates borne by business and residential rate payers. For example, in Rockdale businesses bear 12% of the rates whereas in Marrickville that proportion rises to 40%.

Currently Rockdale has the highest average residential rate (\$913) and the City of Botany Bay the highest average business rates (\$9,108). In comparison the City of Botany Bay has the lowest average residential rate (\$674) and Rockdale the lowest average business rate (\$2,674).

A merged council would ultimately set a single rating system across the three councils and regardless of the approach there would be some properties where rates would rise and others where rates would reduce. A key driver for this would be land value and residents with comparatively high value properties would bear a higher proportion of the rates.

Changes to the average business and average residential rates are modelled using an entirely ad valorem and then a base rate scenario to represent a range of potential impacts that could be expected.

Under a merger of the three councils the average residential rate would increase in the City of Botany Bay under an entirely ad valorem system where land value is the sole determinant. Average residential rates would reduce in both Rockdale and Marrickville. The introduction of a base rate at the maximum level sees similar affects.

Under both scenarios the average business rate would significantly increase in Rockdale and decrease in both the City of Botany Bay and Marrickville.

3.2.5 Environmental

The comparison of the community strategic plans highlighted the community as a common theme across all the councils. While the review of the LEPs of the councils identified some different approaches and differing levels of relative importance for the natural and built environment they were only small. Each council is targeting different types of growth, however only Botany Bay's growth strategies are dominated by the economic significance of the airport (and Port Botany).

The focus of metropolitan planning is different for the areas. Botany and Marrickville are part of the Global Economic Corridor with specific priorities relating to structure planning for the Airport and Port precincts as "transport gateways". The major economic drivers for the Subregion, in which Rockdale is grouped, are largely seen as external (Global Economic Corridor, Sydney Airport, Port Botany and the Illawarra).

3.2.6 Representation

One of the biggest negative impacts from a merger of the airport councils is on representation. The number of people represented by each councillor will increase significantly making it more difficult for residents to access their councillors and the council. Based on the current maximum of 15 councillors, each of those would represent over 15,000 residents which is more than double the current level of approximately 6,800 residents per councillor.

While measures can be put in place to address a loss of representation through local or community boards, at present the government has not set out in detail any proposal that the community could consider.

3.2.7 Community profile and communities of interest

The airport councils have come together to consider what merger options might look like based on their common relationship of having part of Sydney Airport within their boundaries. This gives the communities commonality around transport corridors, economic focus, and social and environmental impact.

There are a number of commonalities between the areas, including the dependence on, and movements to, the City of Sydney for employment, entertainment, retail and other services (as with all inner and middle ring suburbs). There are also higher education levels than Greater Sydney, low employment containment within each council area, and all areas anticipate significant population growth to 2031 (as with Greater Metropolitan Sydney general).

There are a range of *differences* between the areas, including Marrickville being more academically inclined, and Marrickville and Rockdale having lower portions of children and elderly in their populations. Botany's population density is significantly lower than the other councils and has the largest economy, both in gross terms and on a per capita basis reflecting its share of industrial land.

The areas are not a natural grouping in a regional planning sense, with Rockdale generally forming part of the St George region, City of Botany Bay tending towards the eastern suburbs, and Marrickville within the inner west or inner Sydney. This is borne out in cross-border movements and migration and also by the different planning sub-regions that the councils are in

the Metropolitan Strategy. Rockdale is Central Region and Marrickville and City of Botany Bay in the Southern Region.

Ultimately the question is whether a merged council could adequately represent the different communities of interest surrounding the airport and at this time the question needs to be considered alongside the significant reduction in representation.

3.2.8 Costs and savings of the merger

The costs and savings of the merger arise throughout the period being modelled. The costs and savings should not be considered in isolation. They only form part of the information on which a decision should be made and in particular they should be considered in conjunction with the infrastructure funding gap identified above.

Initially in the transition from three councils into one there are costs associated with creating the single entity (structure, process, policies, systems and branding), costs continue to arise through redundancies of senior staff and the implementation of a single IT system across the new council which has significant cost implications. Costs of the merger continue to arise in the medium and longer term largely from redundancy costs (one off) but increasingly from an overall increase in staff numbers which is typical of merged councils and considered to arise as a result of increased services and service levels.

Savings initially arise in the short term through the reduction in the number of senior staff and Councillors required in comparison to the councils combined. Natural attrition is initially applied meaning that overall staff numbers fall in the short term. Savings are also projected to arise in relation to procurement and operational expenditure due to the size and increased capacity of the larger council. In the medium and longer term benefits arise through reducing the overall staff numbers with a focus on removing the duplication of roles and creating greater efficiency in operations, outsourcing waste collection to a single regional contract and the rationalisation of buildings and plant (one off).

The operating performance of the merged council (excluding grants and contributions for capital purposes) is negative in every year of the period being modelled except the year in which asset and plant rationalisation occur. The NPV of the costs and savings over the period being modelled (2023⁵) has been calculated and set out below.

Table 7 Summary of costs and savings

NPV at 4%	NPV at 7%	NPV at 10%
\$102 million	\$83 million	\$67 million

3.2.9 Risks arising from merger

There are significant potential risks arising from the merger both in a financial and non-financial sense. The obvious financial risks are that the transitional costs may be more significant than set out in the business case or that the efficiencies projected in the business case are not delivered. The business case is high level and implementation costs and attaining the savings will be difficult to achieve.

⁵ 2023 is the period being modelled to match the time covered by all Council LTFPs

If, for example, the council chooses not to follow through with the projected efficiencies, this will affect the financial viability of the merged council. Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

Careful consideration of the issue of cultural integration will be required and the most consistent remedy to these particular risks is in our view strong and consistent leadership. Corporate culture misalignment during the post-merger integration phase often means the employees will dig in, form cliques, and protect the old culture. In addition to decreased morale and an increased staff turnover rate, culture misalignment reduces business performance. It also prolongs the time it takes for the predicted efficiencies to be achieved.

The integration of services with differing service levels often leads to standardising those service levels at the highest level of those services that are being integrated. This is quite often a response to a natural desire to deliver the best possible services to communities as well as the need to balance service levels to community expectations across the whole area. However it does pose the risk of increased delivery costs and/or lost savings opportunities. Similarly, introducing services that are not currently delivered in one or more of the former council areas to the whole of the new council area will incur additional costs.

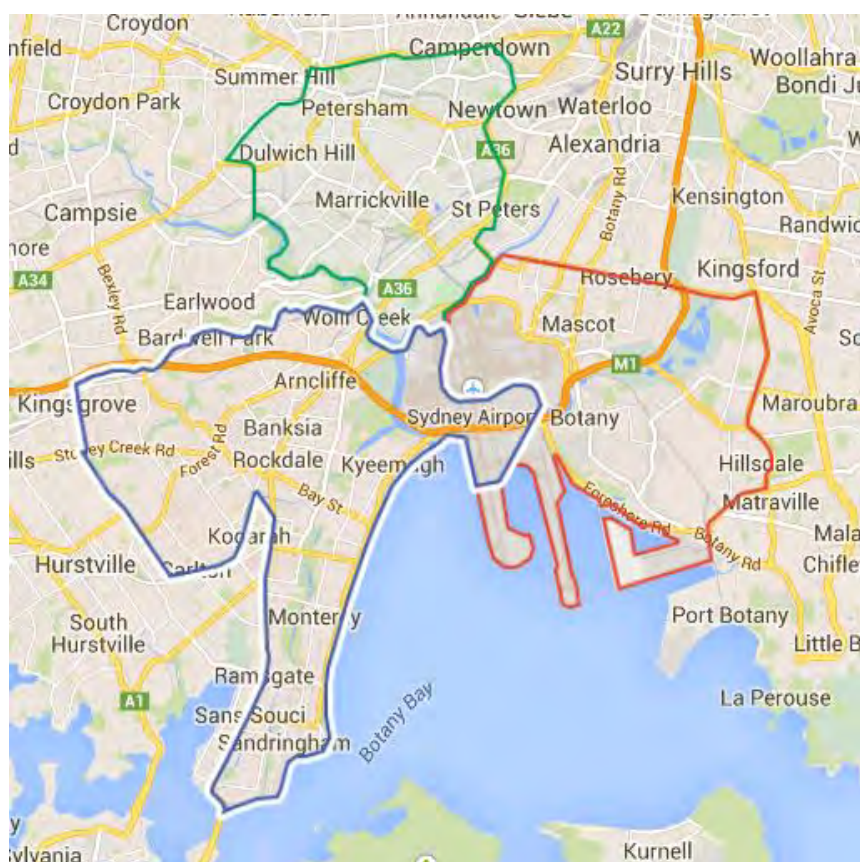
Alongside these typical risks arising from a merger in the case of the airport council the poor financial performance would be likely to lead to the new council having to review services and service levels to seek significant further efficiency gains and/or increase rates to address the operating deficit. The different communities of interest across the area and the number of service delivery and metropolitan planning boundaries crossed by the new council also present a risk to being able to deliver effective governance.

4. DETAILED ANALYSIS

4.1 Status quo

Marrickville, Rockdale and City of Botany Bay ('airport councils') cover a geographic area in metropolitan Sydney with the Botany Bay to the east and bordered by City of Sydney and six other councils. A map of the area is set out below in Figure 1 and shows each council area.

Figure 1 Map of airport councils



As a starting point, the councils' current performance against the Fit for the Future benchmarks⁶ has been considered and set out in Table 6 below. We believe it is important to understand the respective position of each council as it is today and the results are those reported in the 2014 Financial Statements of each council. Figures in red are those where the Council does not meet the benchmark. We note that previously councils have not been required to report on the real operating expenditure ratio so these results were not published in the 2014 Financial Statements.

An explanation of each indicator and the basis of the calculation are set out in Appendix A. Each has been calculated in accordance with the requirements set down by the Office of Local Government. The ratios are a reduced set of benchmarks drawn from those used by TCorp in its 2013 analysis of the Financial Sustainability of the New South Wales Local Government Sector. The Debt Service and Own Source Revenue ratios are both exceeded by all of the councils and

⁶ Reported in the 2013/14 Financial Statements for the respective councils

do not present an issue for any council. In contrast all councils are below the benchmark for the renewals ratio and maintenance ratio.

Table 8 Fit for the Future benchmarks 2014

Council	Operating Performance	Own Source Revenue (%)	Debt Service (%)	Asset Maintenance (%)	Infrastructure Backlog (%)	Asset Renewal (%)
City of Botany Bay	Not reported	Not reported	Not reported	81	7	74.8
Marrickville	-2.53	88.87	1.66	58	1	52.5
Rockdale	-10.51	78.60	6.29	42	3	52.9

4.1.1 Fit for the Future indicators⁷

Of the Fit for the Future benchmarks, Marrickville meets three at present and achieves one more over the modelling period based on maintaining the status quo. A successful SRV sees two more indicators meet the benchmark over the longer term.

TCorp has rated Marrickville Council with a Moderate rating for financial sustainability with a Neutral outlook. The Office of Local Government considers its infrastructure management to be Moderate.

Operating Performance, Own Source Revenue and Debt Servicing, all improve over the modelling period and the proposed Special Rate Variation consolidates and enhances that improvement, particularly moving Operating Performance over the benchmark. A successful SRV will improve the operating and infrastructure ratios over the period modelled

Asset Renewals achieve a 100% ratio if the SRV is successful or only 50% if not. The SRV will also address the backlog in a significant manner but not enough to meet the benchmark.

Table 9 Marrickville Council (status quo) performance against Fit for the Future benchmarks

Indicator	Modelling Outcome (without SRV)	Modelling Outcome (with SRV)
Operating Performance	Meets the benchmark in 2018	Meets the benchmark in 2017
Own Source Revenue	Already exceeds benchmark	Already exceeds benchmark
Debt Service Cover	Already exceeds benchmark	Already exceeds benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark
Asset Renewal	Doesn't meet benchmark	Meets benchmark by 2022
Infrastructure Backlog ⁸	Doesn't meet benchmark	Doesn't meet benchmark
Real Operating Expenditure	Meets the benchmark	Meets the benchmark

⁷ A standardised approach to the calculation of all infrastructure ratios has been used to provide consistency and comparability for the purposes of this assessment. The explanation for each is set out in section 4.2

⁸ The forecast of a councils infrastructure backlog is based on using condition 3 as satisfactory

Figure 2 Operating performance ratio

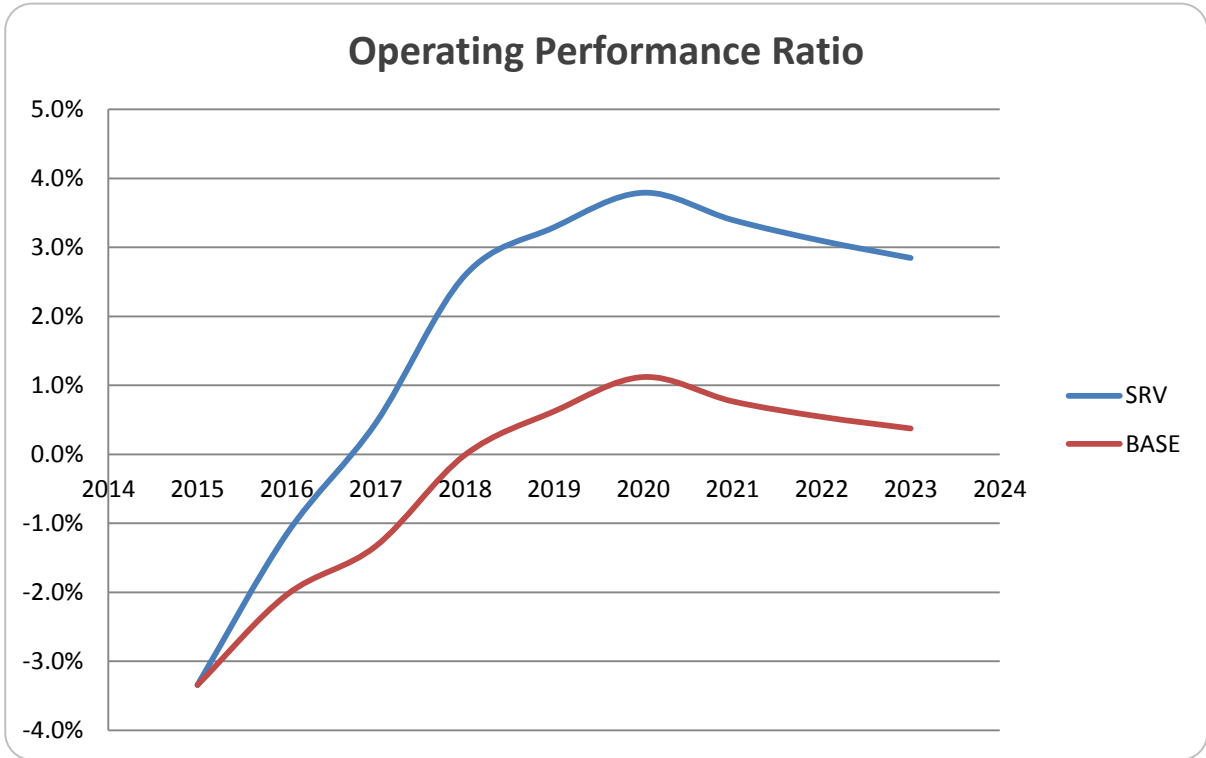


Figure 3 Own source revenue

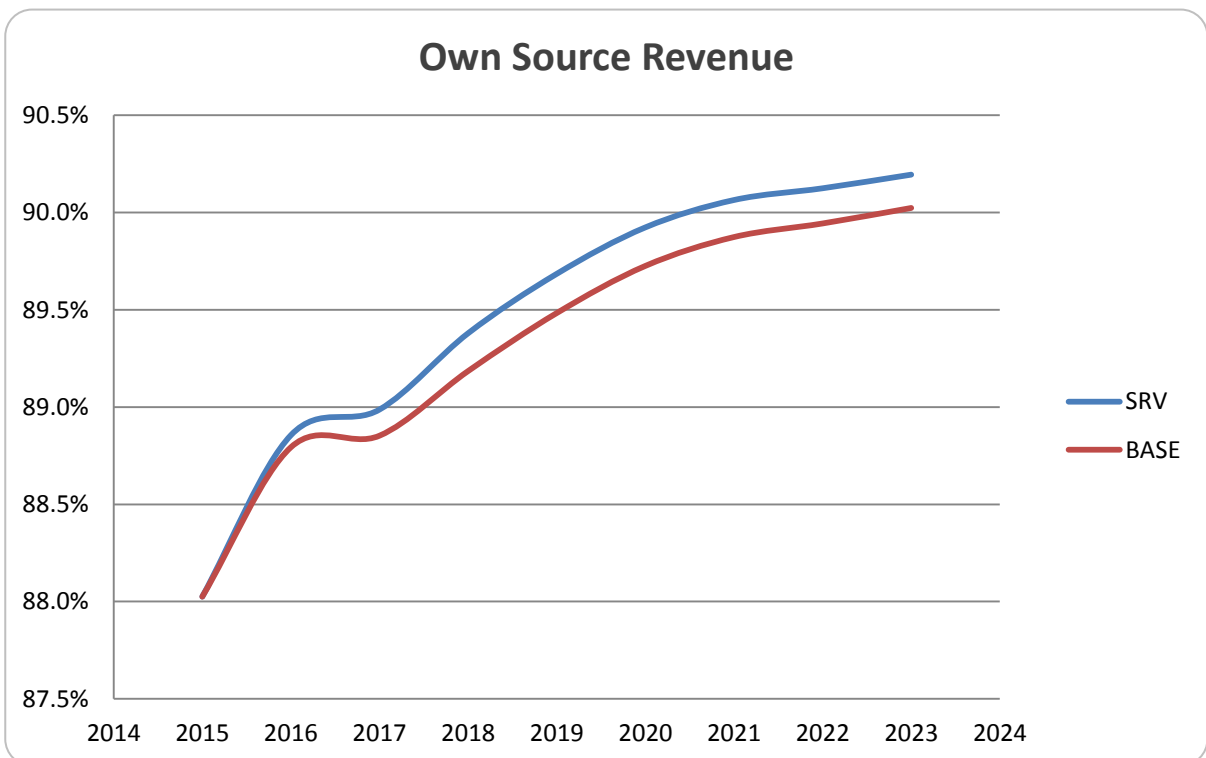


Figure 4 Debt service ratio

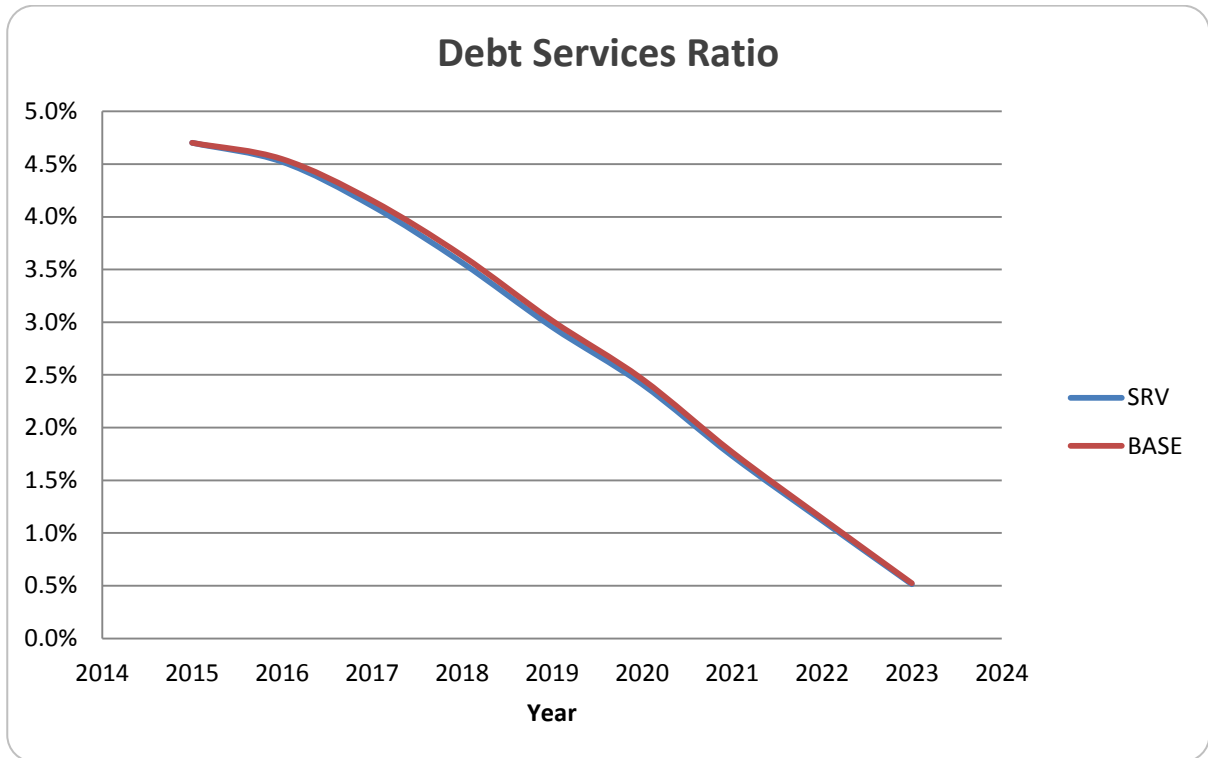


Figure 5 Asset renewal ratio

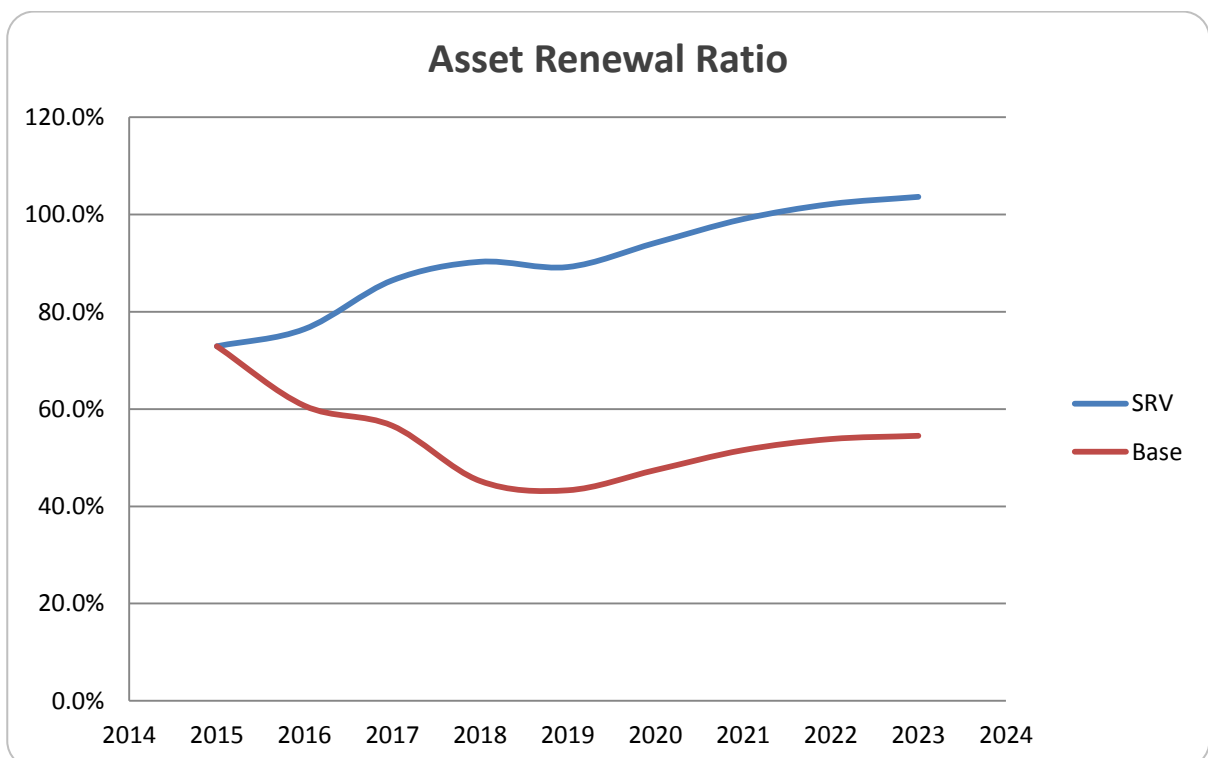


Figure 6 Infrastructure backlog ratio

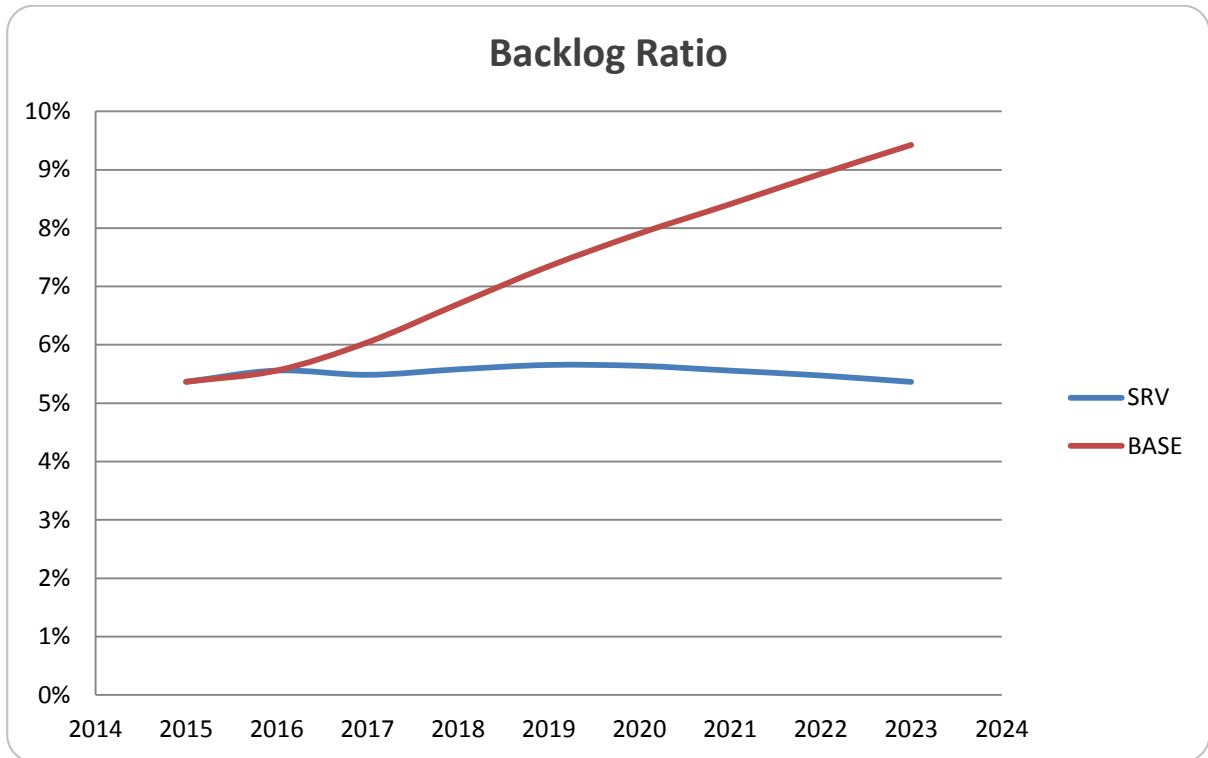


Figure 7 Asset maintenance ratio

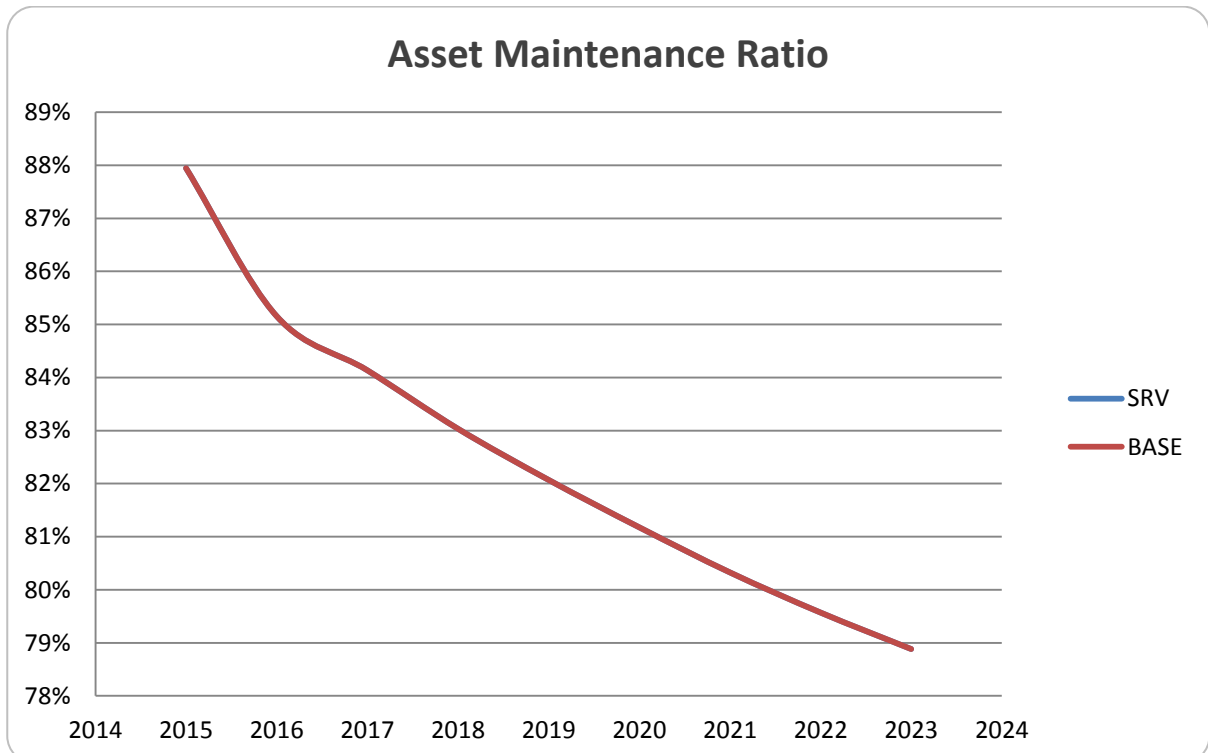
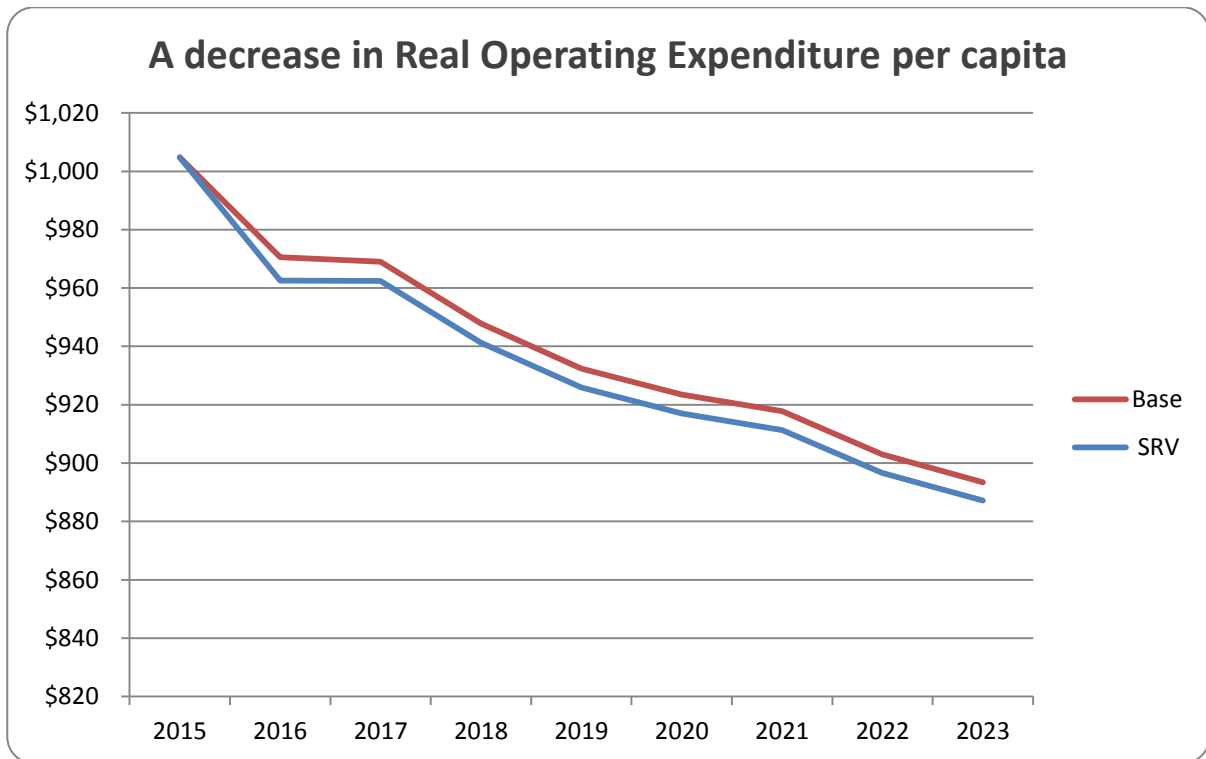


Figure 8 Real operating expenditure per capita



4.2 Each council optimum

An analysis of what would need to be done in order for each council to satisfy the Fit for the Future benchmarks has been undertaken. The analysis is against each council's base case scenario. The asset based ratios (asset maintenance, asset renewal and infrastructure backlog) have been considered as has the operating performance ratio. Each aspect has been separated out in the following sections before being combined into an overall figure which identifies what, if any, funding gap exists that if satisfied would enable the council to meet the Fit for the Future benchmarks.

Where such a gap has been identified and should a council choose to pursue a standalone response to Fit for the Future, then the council will then need to determine how they best address that gap. We would expect that this would be either through additional revenue, a reduction in operating expenses or a combination of both.

4.2.1 Operating performance

The operating result of each council (calculated on the same basis as the operating performance ratio and so excluding capital grants and contributions) has been reviewed and the gap, if any, between the operating revenue and operating expenses identified below. For simplicity, this is presented as an average of the years projected in each council's LTFP. As Marrickville attains a positive Operating Performance ratio over the period being modelled there is not considered to be a funding gap.

Table 10 Operating performance funding gap

Council	Gap (\$000)
City of Botany Bay	-1,300
Marrickville	N/A
Rockdale	-4,900

4.2.2 Asset maintenance

The maintenance ratio is based in part on the number each council reports as 'required maintenance'. However there are no guidelines on how required maintenance is to be calculated and when the required maintenance figures from across the councils were considered some significant variations were identified.

A standardised approach was adopted for the purposes of this project in order to provide a relative comparison of the three councils and for use when estimating the required annual maintenance for the airport council.

The approach uses a percentage of the current replacement cost as the basis for required maintenance. The rates for the different asset classes are based on our knowledge and expertise as well as consideration of ratios of a large number of Sydney based councils as benchmark comparisons. In the roads asset class it was clear that there was considerable variation in how the assets were valued. Working in conjunction with the councils, the required maintenance for roads was calculated on a per kilometre basis instead. This is considered to provide a realistic comparison across the councils.

The table below sets out the gap between the required annual maintenance and projected maintenance. Negative figures are highlighted in red and show the annual additional amount a council, based on our standardised approach, would need to spend on maintenance to satisfy the asset maintenance ratio.

Table 11 Asset maintenance funding gap

Council	Actual Annual Maintenance (\$000)	Estimated Required Maintenance (\$000)	Gap (\$000)
City of Botany Bay	\$3,299	\$ 4,057	-\$ 758
Marrickville	\$ 8,242	\$ 9,580	-\$ 1,338
Rockdale	\$ 1,778	\$ 4,234	-\$ 2,456

4.2.3 Asset renewal

The asset renewal ratio is based on each council's assessment of annual depreciation on buildings and infrastructure and their actual expenditure on building and infrastructure renewals. If asset depreciation is calculated appropriately then this represents the loss of value of an asset on an annual basis and a renewal ratio of 100% reflects (at an overall level) restoring that lost value.

While the calculation of depreciation varies quite significantly across the three councils it is not possible to simply standardise depreciation in the same way that the required maintenance number can be. The assessment of depreciation is integral to the financial management of each council and their LTFFP. Any change requires a proper assessment of the assets, condition, lives and values. The assessment of required asset renewals is therefore based on each council's own assessment of depreciation and required renewals.

The table below sets out the gap between the required annual renewals and projected renewals expenditure. Negative figures are highlighted in red and show the annual additional amount a council (based on our standardised approach) would need to spend on renewal to satisfy the asset renewal ratio. Positive figures show the amount by which a council will exceed the required renewal expenditure leading to a ratio of greater than 100%.

We note that Marrickville has applied for a special rate variation which is intended to address the renewal funding gap.

Table 12 Asset renewal gap

Council	Average predicted annual renewals (\$000)	Average required annual renewals (\$000)	Gap (\$000)
City of Botany Bay	\$ 3,137	\$ 3,434	-\$ 297
Marrickville	\$ 3,988	\$ 7,570	-\$ 3,583
Rockdale	\$ 12,102	\$ 14,633	-\$ 2,531

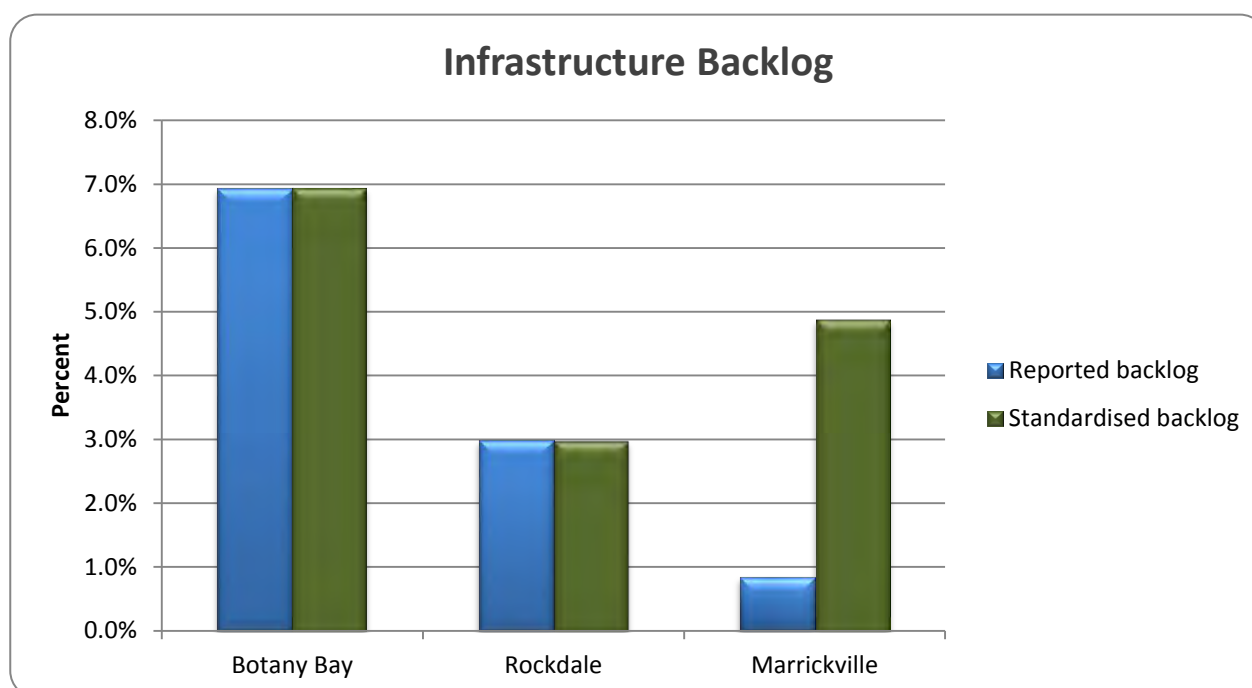
4.2.4 Calculating the estimated cost to satisfactory

The estimated cost to satisfactory is the key driver of the infrastructure backlog ratio. However, there are no clear guidelines as to how the cost to satisfactory has to be calculated and as such the approach varies significantly across NSW. Across the three councils there are different methodologies for determining the cost to satisfactory.

Given the variation in methodologies it was considered appropriate that for comparative purposes and for the assessment of the infrastructure backlog of a merged council a standardised approach should be adopted.

All councils have adopted a similar condition rating system based on a 1 – 5 condition rating where condition 1 is considered to be excellent and condition 5 being poor or very poor condition. The standardised approach adopts condition 3 as satisfactory. We do acknowledge that some councils have considered adopting a lower standard as satisfactory and have engaged with their communities on this. Our approach looks at the value of asset (Current Replacement Cost) in condition 4 and 5, and what could be done to ensure these assets are brought up to condition 3 (satisfactory). It should be noted the cost to satisfactory is an indicator of asset condition, and as such the reality of asset renewals is that those assets in condition 4 and 5 when renewed would be brought up to condition 1 or 2.

Figure 9 Infrastructure backlog recalculated using the standard Morrison Low methodology



The table below sets out what each council would need to spend on additional renewals (i.e. over and above maintaining a 100% asset renewal ratio) to reduce the infrastructure backlog ratio to the benchmark within five years.

Table 13 Cost to bring assets to satisfactory

Council	Total value of assets ⁹ (\$000)	Cost to satisfactory (\$000)	Target Backlog (\$000)	Reduction Required (\$000)	Per year (5 years) (\$000)
City of Botany Bay	\$ 259,740	\$ 11,407	\$ 3,289	-\$ 8,118	-\$ 1,623
Marrickville	\$ 839,079	\$ 29,689	\$ 12,097	-\$ 17,591	-\$ 3,518
Rockdale	\$ 688,267	\$ 10,713	\$ 7,194	-\$ 3,519	-\$ 704

4.2.5 Annual funding gap

The table below summarises the expenditure required by each council, based on our standardised approach, in order to meet all three asset based ratios within five years. Once the infrastructure backlog is brought to the benchmark then the required expenditure in all councils falls.

We have not included the funding gap related to the operating performance ratio in this table as that would not present a realistic picture of the required expenditure. Any increase in expenditure on maintenance or renewals will flow through to affect the operating revenue and expenses of the Council and therefore the Operating Performance Ratio. Additionally, a council may choose to

⁹ Current replacement costs (2014)

address the funding gaps identified in Tables 9 – 12 by increasing revenue, shifting funding from another service or activity, reducing overall costs or a combination of all the above. This will all affect the other ratio. It is not therefore considered possible to simply add the Operational Funding Gap identified in Table 9 and Asset Funding Gap identified in Table 14 below together into a single figure.

Table 14 Combined asset funding gap

Council	Asset Maintenance	Renewals	Infrastructure Backlog	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
City of Botany Bay	-\$ 758	-\$ 297	-\$ 1,623	-\$ 2,678	-\$ 1,055
Marrickville	-\$ 1,338	-\$ 3,583	-\$ 3,518	-\$ 8,439	-\$ 4,921
Rockdale	-\$ 2,456	-\$ 2,531	-\$ 704	-\$ 5,691	-\$ 4,987

4.3 Merged council

4.3.1 Description

The merging of the three councils into one airport council will create an entity that is unfamiliar in scale and size to most individuals associated with the current councils.

To give some scale to the proposed council organisation, set out below are some broad indicators of the attributes of a new airport council and a comparison to Sutherland Council¹⁰.

Table 15 Comparison of proposed airport council and Sutherland Council

	Airport Council	Sutherland Council
Full time equivalent staff	1,192	1,090
Geographic area	66 km ²	334 km ²
Population	229,233	221,147
Annual expenditure	\$232 million	\$197 million

The new council would be home to almost 6% of the population of the entire greater Sydney metropolitan area and would represent a significant proportion of the inner metropolitan population. Its population would be represented by five state parliamentary electorates/members and three federal electorates/members.

The combined population would have a better educational profile and lower unemployment, when compared with the rest of Sydney.

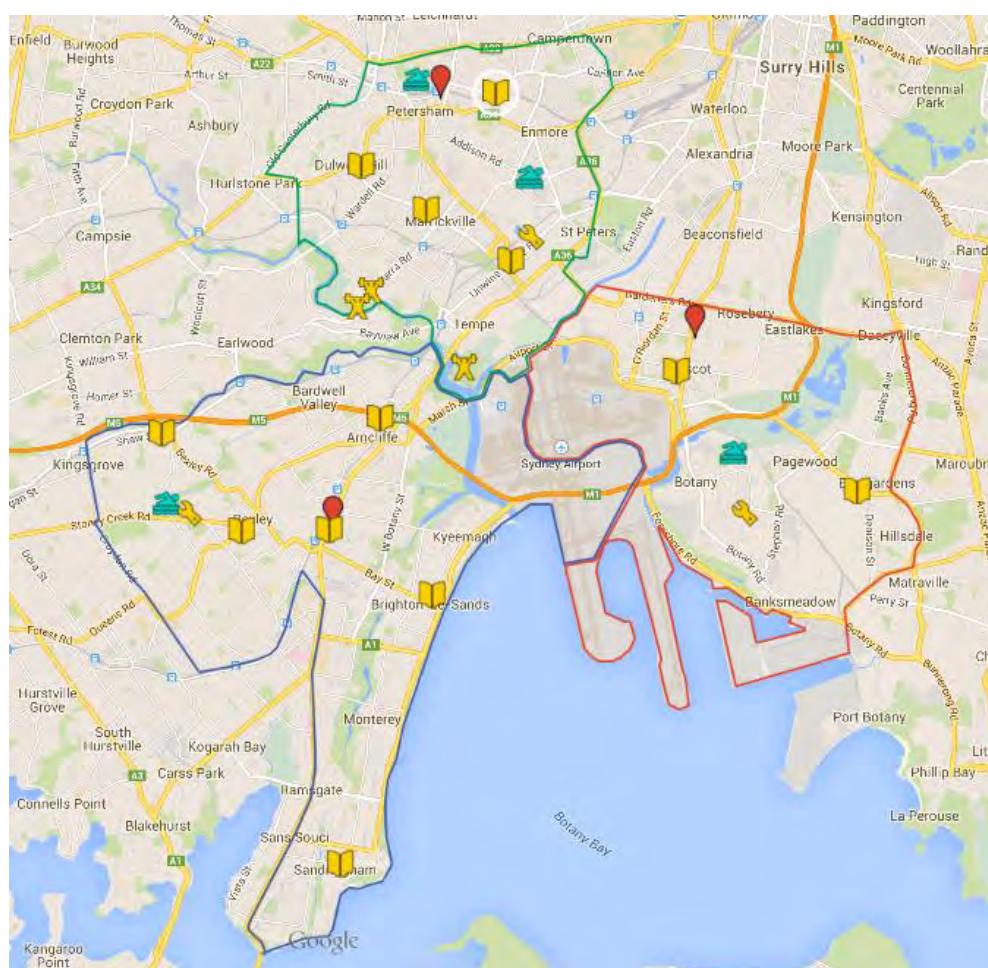
¹⁰ OLG Comparative Performance Data 2012-13

4.3.2 Services

The range of services and facilities provided by any council to its community varies significantly from place to place. Not only do the types of services vary, but the levels of service will often be quite different from council to council.

The reasons for these variations are numerous. For many councils the suite of services that they offer in the present day is a reflection of decisions made by councils past. Those decisions are generally based on community desires and needs, funding availability or strategic business choices. Figure 10 highlights the locations of some key council services including council offices, libraries, depots, swimming pools and recreation centres.

Figure 10 Key services and facilities of the airport councils



Regardless of the original rationale for service types, levels and delivery decisions, councils need to continue to make regular and structured revisions to their service portfolios in order to meet emerging or changing community needs, capacity to pay issues or regulatory change.

The airport councils are reflective of the broader local government industry and exhibit many variations on the types and levels of service that they offer to their communities despite their relative proximity. There are obviously cost implications for the councils providing different services and levels of service.

There are a range of examples where services vary across council borders and those variations can be in the form of:

- providing a particular service or not doing so
- differing methods of delivering services (in house, outsourced, collaborative)
- variety in the levels of service delivered (frequency, standard)
- pricing.

The issue of the provision of children's services is a case in point. Each council offers a different mix of children's services opportunities. Marrickville and City of Botany Bay provide a family day care service and child care centres. Marrickville also offers a preschool service. Rockdale allows the market to provide child care services and focuses on linking individuals to services.

In these cases, the differences are not simply in the type of delivery of the services to the community, but in the policy positions adopted around direct provision or the facilitation of delivery through other mechanisms.

All three councils deliver the bulk of their services using day labour for service delivery rather than outsourcing service delivery although Marrickville appear to make more use a mix of internal resources and external contractors for most asset management functions. All councils are more likely to contract out major construction activities while undertaking most maintenance activities using their day labour workforce.

Rockdale and Marrickville have both outsourced components to their solid waste services. Rockdale outsources all solid waste collection as part of a regional approach and City of Botany Bay contracts the collection of recycling. Collection frequencies for green waste and recycling also differ with City of Botany Bay having the highest service level of weekly collections.

Non-commercial street sweeping frequencies vary between councils from two (Rockdale) to five weekly (Marrickville) cycles. Graffiti removal service levels also vary between Rockdale and Marrickville while City of Botany Bay undertakes street sweeping and graffiti removal to unspecified "service standards".

Another example of different service levels arises from the fact that most of the councils offer a verge mowing service of some description. Variation is demonstrated in the service standards, such as frequency of mowing, but most significantly in the eligibility of property owners to access the service. Marrickville and City of Botany Bay mow road verges, while Rockdale only mows verges for pensioners. In addition to mowing verges City of Botany Bay also offers a pensioner mowing service. Mowing cycles for verges vary.

All councils have similar standards for parks and sports field maintenance although levels of service provision are much higher in Rockdale than anywhere else particularly for sports fields where Rockdale has more sport fields than Marrickville and City of Botany Bay combined. All councils have at least one golf course but only City of Botany Bay is managed 'in-house'.

Foreshore services are another area where the airport councils differ. Rockdale spends considerably more managing 8 km of beach, a boat ramp, two pontoons and 6 swimming enclosures than its counter parts. Marrickville manages a jetty at Tempe has shared responsibility for the management of about 3.5km of river frontage along the Cooks River. The City of Botany Bay has no areas of care and control of foreshore assets.

The location of the libraries and swimming pools of the airport councils are set out in Figures 11 and 12 below. Each facility has a representative catchment drawn around the location of facility. The size and nature of the facilities varies and the catchments are not scaled to demonstrate an

oversupply or identify a facility or facilities for rationalisation. The purpose is to highlight the different challenge that a council of the airport councils will be faced with in regards to the provision and the location of services and facilities. Having responsibility for a larger area without the existing internal boundaries will require a different approach and likely lead to changes in services and service delivery.

Figure 11 Location of the libraries of the airport councils

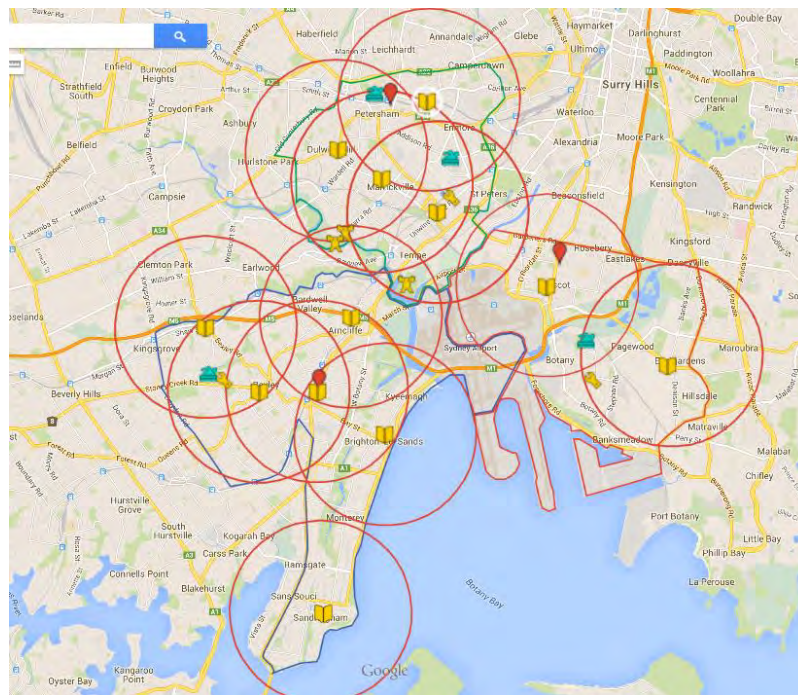
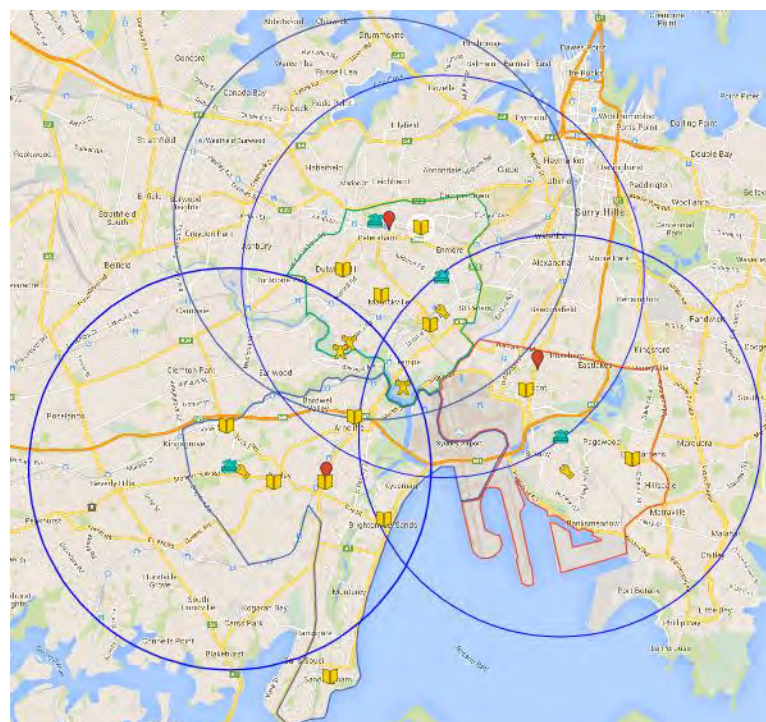


Figure 12 Location of the swimming pools of the airport councils



Set out in Appendix D is a table containing a high level review of a range of council service and the variations in those among the airport councils.

Establishing a uniform, or at least consistent, service offering through the mechanisms of service standard setting, pricing and delivery will be a challenging exercise for any merged council however it does provide opportunities for service review and re-evaluation. Often in a merged council the desire to ensure an equitable and fair service across the entire local government area can result in an immediate and sometimes dramatic increase in services, services levels and therefore costs. In assessing the advantages and disadvantages of a merger of the airport councils the assumption has been made that current service levels will continue until such time as the merged council makes a decision otherwise.

4.3.3 Social, environmental and economic

The following is a summary of a detailed communities profile and communities of interest study that is set out in Appendix H.

This desktop review of the communities of the airport has been undertaken in order to understand the current demographic composition of the area, the similarities and differences between the council areas, and the interrelationships and communities of interest that currently exist within the area.

Communities of interest and geographic cohesion are considered essential considerations for any boundary adjustment process (Section 263 of the Local Government Act). The two key reference points for this review is ABS Census Data taken from the Councils' Profile ID websites, along with the analysis contained in the *New South Wales Local Government Areas: Similarities and Differences, A report for the Independent Local Government Review Panel* report¹¹.

The airport councils have come together to consider what merger options might look like based on their common relationship of having part of Sydney Airport within their boundaries. The areas are not a traditional grouping in a regional sense, with Rockdale generally forming part of the St George region, City of Botany Bay tending towards the eastern suburbs, and Marrickville within the inner west or inner Sydney.

There are a range of *similarities and differences* between the areas, including:

Similarities

- The dependence on and movements to the City of Sydney for employment, entertainment, retail and other services
- Higher education levels than Greater Sydney
- Low employment containment within each council area
- All areas anticipate significant population growth to 2031

Differences

- Rockdale and Marrickville are in the most academically inclined cluster of council areas
- There is a low ratio of children to adults of parenting age associated with a low proportion of children in the population overall and a low proportion of elderly people in Marrickville and Rockdale
- City of Botany Bay's population density is significantly lower than the other areas

¹¹ National Institute of Economic and Industry Research, March 2013

- Rockdale is noted in a cluster indicating its strong multiculturalism
- There are more residents of City of Botany Bay and Rockdale in the generally lower earning occupations (trades, labouring)
- City of Botany Bay has the largest economy in gross terms, and on a per capita basis, reflecting its large share of both Sydney Airport and Port Botany and the industrial and employment lands surrounding these
- English is the predominant language spoken at home in Marrickville, while Rockdale and City of Botany Bay show a greater proportion of homes speaking other languages

The three areas all fall in different clusters for their cross-border relationships, as follows:

- Rockdale is in a cluster of areas that are unambiguously close to their neighbours, relying on them for employment and showing high rates of cross-border migration. These areas also have in common less jobs than are necessary to employ their own population and are therefore responsible for net outbound commuting
- City of Botany Bay is a cluster that relies on their neighbours for employment and short-distance migration and attract net inbound commuting and shoppers
- Marrickville is in a cluster of areas that are sources of outbound commuting and outbound shoppers

Currently the three council areas are grouped in different regions under a number of federal and state government planning and service delivery regions, with City of Botany Bay tending to be grouped with the eastern suburbs, Rockdale with the southern suburbs and Marrickville with the inner city and inner west.

4.3.4 Environment

4.3.4.1 Natural and built

A summary assessment of the council's LEPs has been considered with the emphasis on:

- protection of the natural environment
- protection of the built environment/heritage and character of the existing urban area
- the overall (policy) approach to growth and development.

In respect to growth, the high level review identified that both Rockdale and Marrickville Councils promote a transport oriented approach to growth, development and economic activity. The two councils also promote growth in housing diversity and accessibility. City of Botany Bay's LEP recognises the two ports as significant influences on growth and is the only LEP that specifically references the airport. The State Environmental Planning Policy (Three Ports) also impacts City of Botany Bay and is designed to facilitate future development and operation of Port Botany in context of the future operation of Sydney Airport.

The relative emphasis on natural environment and built heritage of all the areas reflects the developed natures of the LGAs

- Botany Bay emphasises the significant natural and recreational assets, with references to built heritage reflective of period in which major development occurred and desire for future high quality development.
- Marrickville's approach to built heritage reflects a period of major development and desire for future high quality development

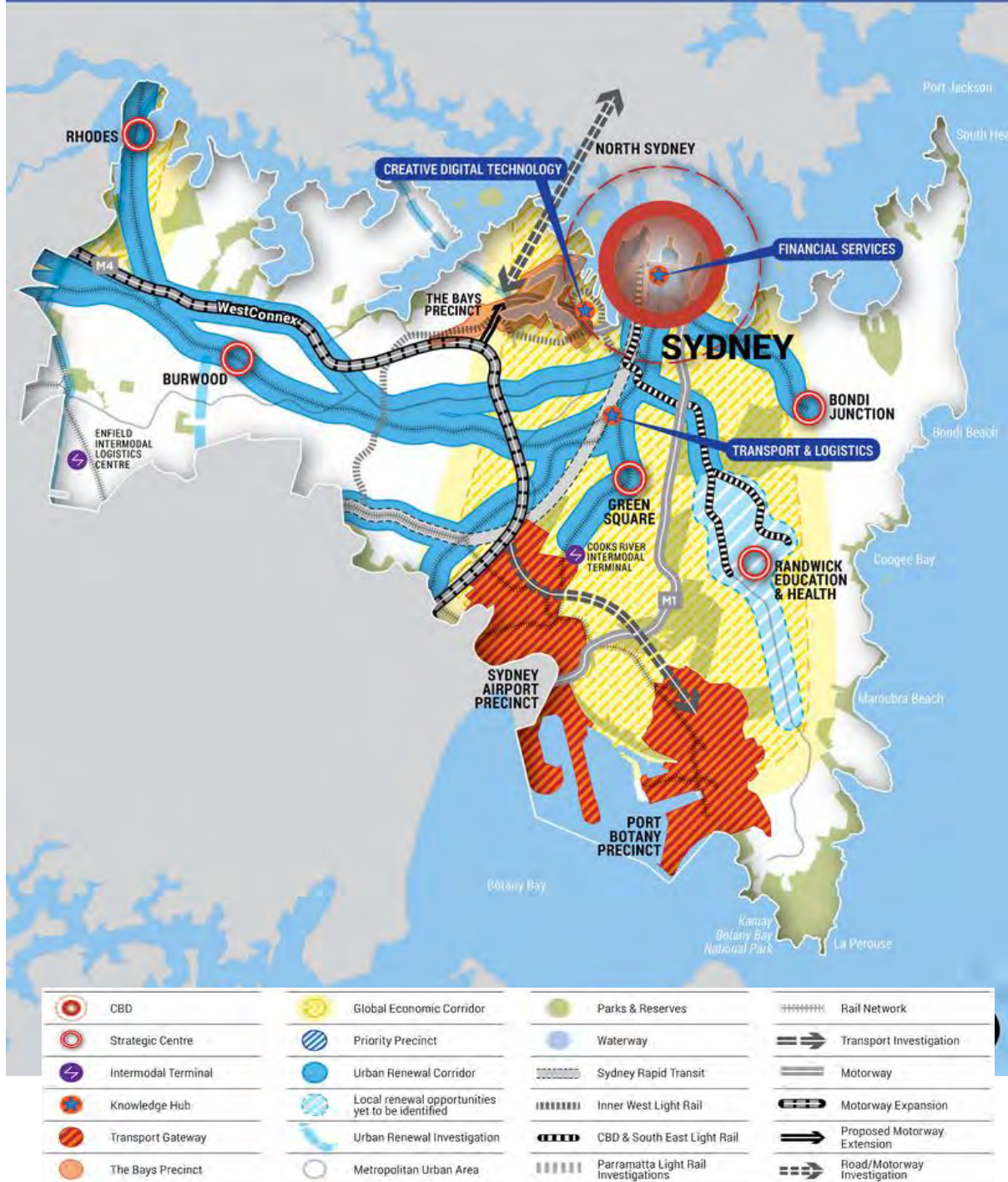
- Rockdale reflects location on shores of Botany Bay and immediate tributaries, but the importance of built heritage is not reflected in aims of LEP (despite over 200 items in Heritage Schedule).

A summary of the comparisons of the approach to growth and protection of the natural and built environment is set out in Appendix F.

City of Botany Bay and Marrickville Councils have been located in the Central Subregion as part of the latest State Government Strategic Plan for Sydney (A Plan for Growing Sydney; December 2014). Rockdale Council has been located in the South Subregion under the same plan.

Both City of Botany Bay and Marrickville Councils are shown as part of the Global Economic Corridor. However, the Plan does not set out any specific priorities relating to the two Council areas beyond “[preparing and delivering] a Structure Plan for the Sydney Airport and Port Botany precincts to support their growth” This aim is supported by designation of the two precincts as “Transport Gateways” in the plan.

FIGURE 27: Central Subregion



4.3.4.2 Indicators

Table 16 Environmental indicators

Council	Waste diverted (%)	Open Space (Ha/'000 population)	Tree Canopy (% of LGA)
City of Botany Bay	38	2.27	12.1
Marrickville	41	1.43	16.3
Rockdale	24	3.49	12.4
Combined	32	2.53	13.3

4.3.5 Representation

Table 17 Comparison of representation

Council	Representation (population / Councillor)
City of Botany Bay	6045
Marrickville	6807
Rockdale	7015
Combined	15,282 ¹²

4.3.6 Organisation alignment

4.3.6.1 Policy alignment

A comparison of each council's community strategic plan was undertaken to identify at a high level whether there was consistency or inconsistency between the organisations in a policy sense.

Each of the three communities has, through their future plans identified strong visions for their community. While expressed differently, each council's vision and high level themes for delivery are in many ways aligned with a focus on: its people, leadership and accountability, and access to quality services.

A principle of effective and accountable government features across all councils, with the Councils of City of Botany Bay and Marrickville specifically noting it in their vision for the future.

A desire to expand the local economy is a feature of all plans, with a strong emphasis on development of small business within the communities.

Creating usable and sustainable environments also feature across the communities. City of Botany Bay devotes considerable time to this, noting the large industrial operations in the area. Marrickville reflects specifically on its multicultural heritage, and Rockdale also notes the role of valuing the heritage of their residents and city more generally.

¹² Assuming 15 Councillors

While there is, at a high level comparison between the three councils, we acknowledge that the differences where they arise will become more apparent at a more detailed level of analysis (e.g. delivery programs, operational plans).

The comparison is presented visually below through Word Clouds in the figures below.

Figure 13 Summary of City of Botany Bay Community Strategic Plan



Figure 14 Summary of Marrickville Community Strategic Plan



Corporate Management and Culture

It is difficult to compare the internal cultures of the council organisations in this exercise, as organisational culture is often a combination of many different things, most of which are driven from leadership whether it be political or management. A leadership style or philosophy leads to organisational behaviours which become the organisational norm helping define the culture. We know from past mergers and amalgamations that most organisations bring a unique culture often dominated by one or two characteristics (for example: pro-development, pro-environment, customer driven, continuous improvement, learning, team based, cost conscious, highly delegated etc) that drive outward behaviours.

Each airport council has taken a different approach to developing their own corporate culture but generally propose a similar set of values as to how the organisation will operate. These values flow on from the each communities own values.

The common elements are:

- Commitment to the customer
- Responsiveness
- Transparency and openness
- Excellence, innovation and collaboration
- Accountability

It would be fair to say that these are relatively common corporate values in any case and that there are no unique or potentially conflicting organisational visions or values amongst the airport councils.

If we measure training and development expenditure against both total expenditure and full time equivalent staff numbers we can test if each of the councils has a similar approach to staff development and if this is likely to support or enable the values it articulates..

Each council spends considerably less on training and development than industry bench marks. From 0.13% (City of Botany Bay) of total expenditure to 0.54% (Marrickville) all councils are well below the 1% of total expenditure that is considered the industry benchmark. The annual employee costs, per employee, while not too dissimilar, range from the highest cost per staff member in Rockdale and the lowest in City of Botany Bay. A crude indicator of staff productivity can be the portion of the operating costs spend per staff member and when comparing this, Rockdale has the highest spend per FTE while City of Botany Bay and Marrickville are very similar

We have not reported actual productivity performance data by council because as a note of caution that these figures as they can be influenced by factors such as the maturity of the workforce and the fluctuating nature of total expenditure year on year and capital projects which ideally, should be compared over time.

Both Marrickville and Rockdale publish workforce plans and while each council's plan is different they identify common strategic issues; ageing workforces, sustaining high performance and recruitment and retention as major challenges for which they are developing strategies. Rockdale's workforce is much older with 60% over 45 while of 47% of Marrickville's is in the same age bracket.

Rockdale report voluntary turnover while Marrickville report overall turnover which during period of reform tends to be inflated. Looking at years that excluded reform, both organisations have very similar turnover (5-7%) well under the industry average of around 9% turnover annually.

Again, while this is as much dependent upon the profile of the workforce as it is on corporate culture however it does identify some common ground.

Organisational size can impact on culture in a range of ways, such as diversity of skills and workforce characteristics, level of specialisation vs multifunctional roles, capacity to undertake a greater range of functions and services, and partnership and advocacy capacity with other levels of government.

City of Botany Bay and Rockdale have similar size workforces despite Rockdale being more than twice population. Marrickville's workforce is around 60% larger than the other two local governments. All councils are 'day labour' councils with services largely undertaken in-house and with large outdoor workforces. The provision of the waste service under contract by Rockdale is the exception to this.

Corporate Policies

A desktop review of the policy registers of the councils highlights some interesting philosophical differences and issues that have been given priorities (at some point in time) by the different councils.

Rockdale has by far the most extensive policy register indicating a very prescriptive albeit very transparent approach to operational service delivery. It had developed a comprehensive range of policies that appear to cover all services and key functions to guide how council does businesses.

Marrickville has a smaller range of formal policies and a number govern social or cultural activity in the community. City of Botany Bay's policies are generally focused on Council's more traditional functions and responsibilities.

While we recognise policies change and reflect a position at a particular time they also reflect the organisational culture which is tasked with implementing them.

4.3.7 Financials

The estimated costs and savings of a merger of the three councils have been modelled with the results set out below.

Tables 18 and 19 provide a summary, narrative and financials of the costs and savings of the merger with the detailed assumptions set out in Appendix C. The NPV of the costs and savings is set out in Table 20. The costs and savings arising from the merger are in comparison to the current operating costs of the combined councils. The NPV of the financial investment required to meet all infrastructure benchmarks is set out in Table 21.

The merged council is modelled on the basis of a combined base year where all council costs and revenues set out in the LTFP are brought together (2015), common assumptions are then modelled forward for increase in revenue and costs. Overlaid are the costs and savings of the merger with Short (1-3 years), Medium (4 – 5 years) and Long Term (6 – 10 years) time horizons. For simplicity all transitional costs are modelled as taking place within the first three years.

Table 22 then summarises the overall financial performance of the merged Council with the Fit for the Future Indicators set out later in section 4.3.9.

Table 18 High level description of financial costs and savings arising from merger

Item	Short Term (1 – 3 years)		Medium term (4 – 5 years)		Long Term (6-10 years)	
	Cost	Benefit	Cost	Benefit	Cost	Benefit
Governance		Reduction in total cost of councillors				
Staff	Redundancy costs associated with Senior Staff Harmonisation	Reduction in total costs of Senior Staff	Redundancy costs associated with any reduction in staff numbers Increase in staff costs associated with typical increase in services and service levels from merger	Reduction in staff numbers in areas of greatest duplication	Increase in staff costs associated with typical increase in services and service levels from merger	
Materials and Contracts	Savings from Procurement and network level decisions over asset expenditure		Savings from Procurement and network level decisions over asset expenditure Savings from moving to large regional waste contract		Savings from Procurement and network level decisions over asset expenditure	Savings from Procurement and network level decisions over asset expenditure
- IT	Significant costs to move to single IT system across entire council					Benefits arise from single IT system and decrease in staff
- Operational						
Assets		Rationalisation of plant and fleet		Rationalisation of some buildings Further rationalisation of plant and fleet		
Transitional Body	Establish council and structure, policies, procedures Branding and signage	Government grant				

Table 19 Summary of financial costs and savings ¹³¹⁴

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Governance	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M
Staff									
-Redundancies	\$6.5M	\$11.2M	\$16M	\$10.9M	\$14.3M	\$12.2M	\$10.1M	\$7.8M	\$5.9M
-Natural attrition									
-Staff increase									
IT									
-Transition costs	\$-33M	\$-16M	\$-5.5M			\$8M	\$8M	\$8M	\$8M
-Long term benefits									
Materials and Contracts	\$1.3M	\$1.3M	\$1.3M	\$2.2M	\$2.7M	\$3.4M	\$3.4M	\$3.4M	\$3.4M
Assets									
-Plant and fleet				\$23.6M					
-Buildings									
Grants and Government Contributions	\$10.5M								
Transitional Costs									
-Transitional body	\$-15.1								
-Rebranding									
Total	\$-29.5	\$-3.2M	\$12.1M	\$37M	\$17.3M	\$23.9M	\$21.8M	\$19.5M	\$17.6M

The NPV of the costs and benefits over the period being modelled (2023¹⁵) has been calculated and set out below (a positive number indicates a saving).

¹³ The table provides a simple representation of costs and benefits which in the modelling are subject to appropriate inflationary adjustments

¹⁴ Costs are shown as negative figures, benefits as positive

¹⁵ 2023 is the period being modelled to match the time covered by all Council LTFPs

Table 20 Summary of financial costs and savings

NPV at 4%	NPV at 7%	NPV at 10%
\$102 million	\$83 million	\$67 million

While the merged council has a number efficiencies modelled in over the short, medium and longer term the significant short term costs arising from the merger and the redundancy costs that arise in the medium term mean that the financial performance remains poor throughout the period being modelled.

Additionally it should be noted (and is demonstrated) in section 4.3.9 that the merged council has an asset related funding gap which will need to be addressed. The modelling of the merged council does not include an increase in revenue through any Special Rate Variation like is the case with Marrickville nor for a revised reporting of depreciation as in the case for Rockdale. The NPV of the financial costs of the investment required to meet all the infrastructure benchmarks¹⁶ is set out below (a negative number indicates a cost).

Table 21 Financial investment required to satisfy infrastructure benchmarks

NPV at 4%	NPV at 7%	NPV at 10%
-\$130 million	-\$115 million	-\$103 million

The financial performance improves over the medium and longer term but the impact of rising costs from staff increases associated with services and service levels begins to also take effect in the longer term. The merged council only produces a positive operating result (excluding grants and contributions for capital purposes) in the year when the model accounts for rationalisation of buildings and plant.

¹⁶ Asset maintenance and renewals are satisfied from year 1 and the infrastructure backlog within five years

Table 22 Summary of financial impacts of merger

Selected Councils Combined LTFP - 2014/15 Extrapolated	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Operating Results											
Income Statement	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Source: Council Financial Statements and Long Term Financial Plan	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Rates & Annual Charges	138,647	146,705	150,937	155,465	160,129	164,933	171,491	176,636	181,935	187,393	193,015
User Fees & Charges	33,801	35,704	34,717	35,840	36,998	38,195	39,430	40,704	42,021	43,379	44,782
Grants & Contributions - Operations	20,466	16,213	18,314	18,017	18,432	18,855	19,289	19,733	20,187	20,651	21,126
Grants & Contributions for Capital	22,413	38,857	14,018	13,791	14,108	14,432	14,764	15,104	15,451	15,807	16,170
Interest and Investment Income	8,583	8,210	7,240	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150
Gains from disposal assets	40	378	149	147	150	153	23,757	703	720	736	753
Other Income	15,065	18,140	21,932	21,576	22,073	22,580	23,100	23,631	24,175	24,731	25,299
Total Income	239,015	264,207	247,307	247,985	255,039	262,299	294,980	279,661	287,637	295,846	304,295
Income excl Gains/losses	238,975	263,829	247,158	247,839	254,889	262,145	271,223	278,958	286,917	295,110	303,542
Income excl Gains/losses & Capital Grants	216,562	224,972	233,140	234,048	240,781	247,713	256,459	263,854	271,466	279,303	287,371
Expenses											
Borrowing Costs	1,691	1,704	1,504	1,498	1,464	1,427	1,390	1,346	1,308	1,260	1,209
Employee Benefits	99,983	104,915	110,350	107,432	106,357	105,294	106,742	112,613	118,807	125,341	132,235
Gains & losses on disposal	192	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortisation	36,605	31,986	35,191	37,026	38,506	39,790	41,073	42,398	43,768	45,183	46,643
All other Expenses	93,782	96,052	98,874	137,781	120,837	113,462	114,364	111,809	106,618	109,817	113,111
Total Expenses	232,253	234,657	245,919	283,737	267,165	259,973	263,569	268,166	270,502	281,601	293,199
Operating Result	6,762	29,550	1,388	- 35,752	- 12,125	2,326	31,411	11,495	17,135	14,245	11,096
Operating Result before grants & contributions for capital purposes	- 15,651	- 9,307	- 12,630	- 49,543	- 26,233	- 12,106	16,647	- 3,609	1,684	- 1,562	- 5,075

Rates

Given the differing rating structures among the councils it is difficult to model the impact of a merger on rate revenue and in particular the impacts on individual land owners. As a starting point the current rates for the three councils are set out below highlighting the existing differences as well as the different approaches.

Figure 16 Average residential rate (2014)

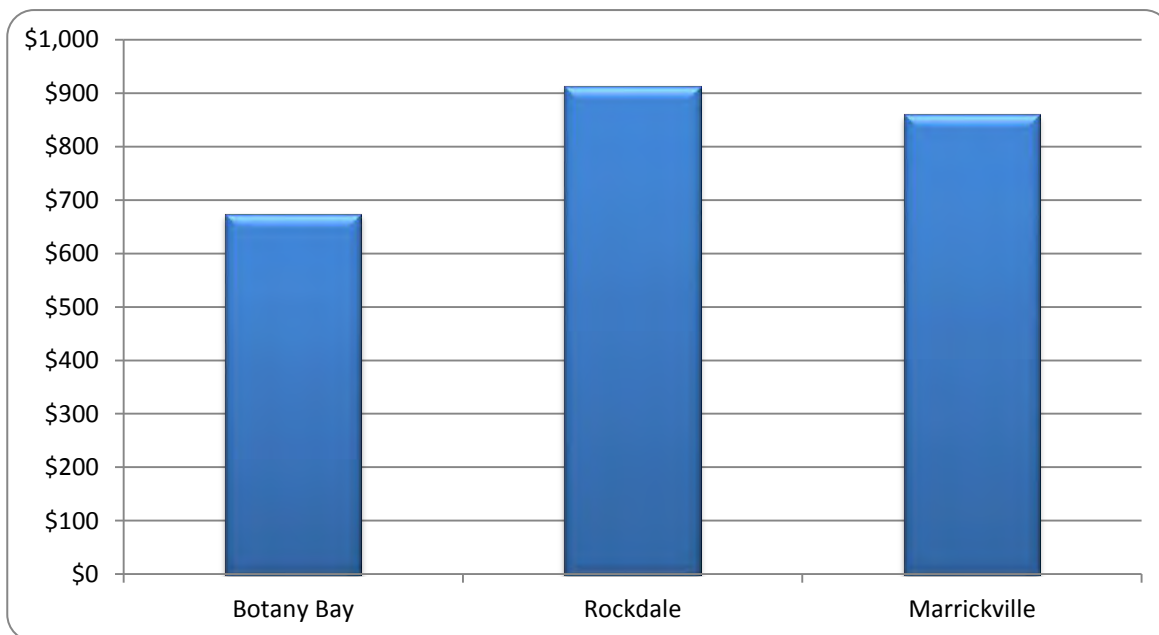


Figure 17 Average business rate (2014)

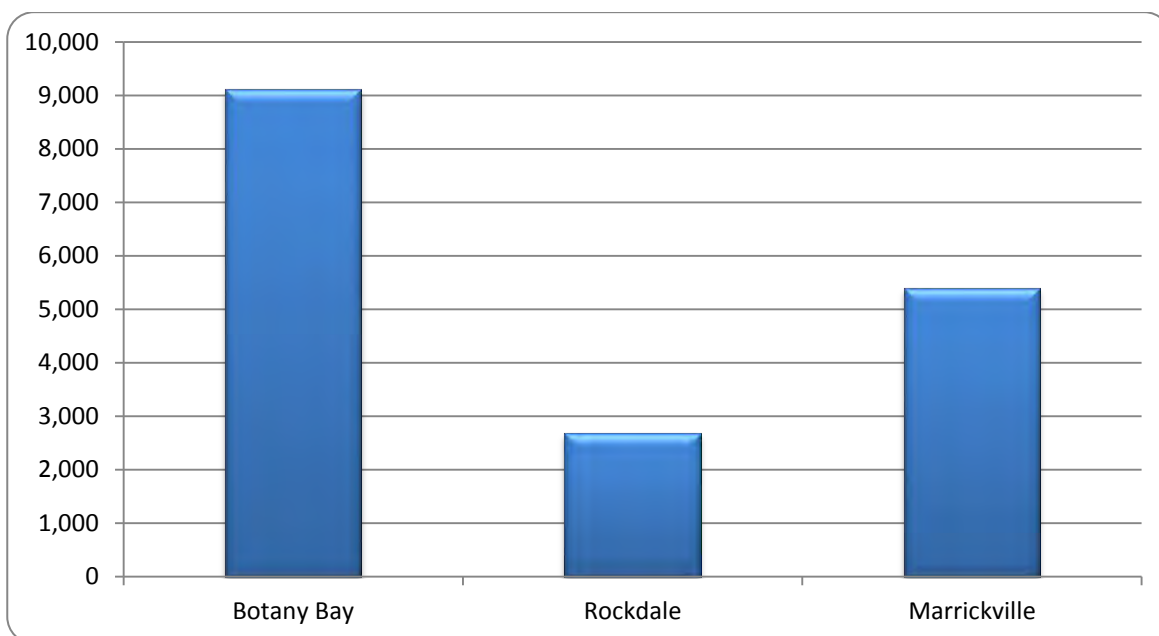


Figure 18 Comparison of minimum rates (2014)

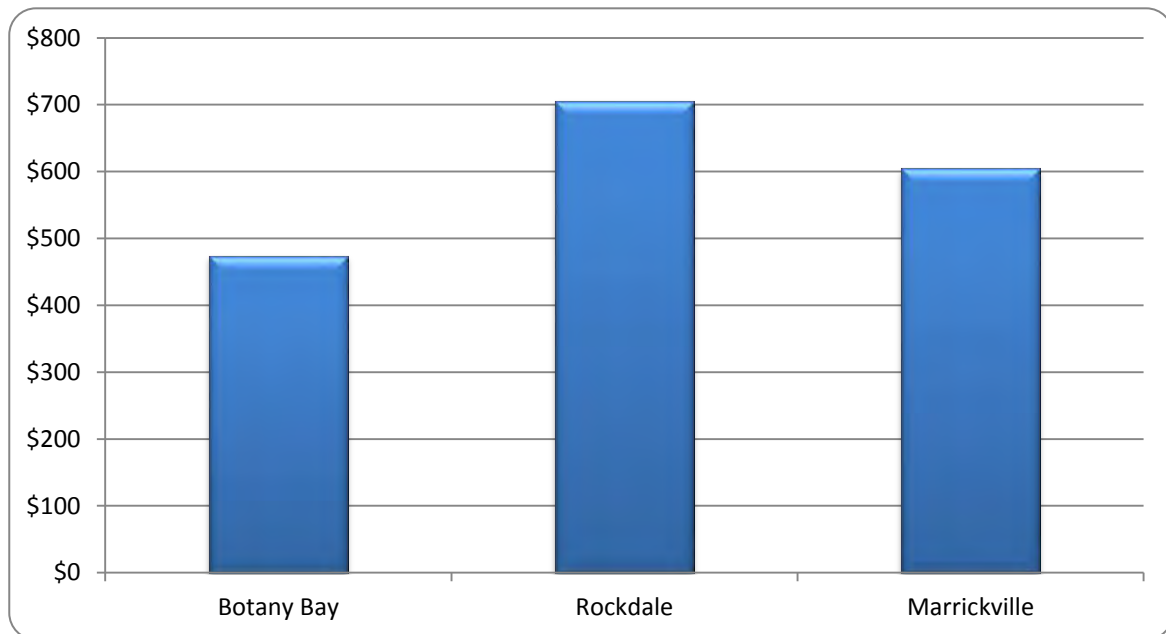


Table 23 Comparison of proportion of residential and business rates

Proportion of rates	City of Botany Bay	Marrickville	Rockdale
Residential	63%	60%	88%
Business	37%	40%	12%

In order to provide information on what the potential impact of a merger on rates would be representative examples have been modelled by redistributing the 2014/15 rates without adjusting the rating structures. Two scenarios have been used based on the total rate revenue (residential and business) of the three councils. In each scenario the total rates (residential or business) are apportioned across the three councils consistently. Scenario 1 is entirely ad valorem and Scenario 2 provides for a base charge to be set at the maximum level with the remainder ad valorem.

The key drivers are therefore land values and the differences in the way in which councils currently allocate rates between categories. The actual impact on any property or properties will be the result of the actual rating structure chosen by any new council and how quickly a merged council decided to adopt and then implement a single rating structure. Within each council area there will be individual properties that are affected in different ways by the changes due to categorisation and land valuation issues.

Analysis of potential changes in average rates indicate that in comparison the standard rate peg change in rate (2.3% for 2014) there would be significant changes in rates across the three councils arising from a merger. The changes are described in the figures below by reference to a change from the 2014-15 rate and expressed as a percentage change.

Figure 19 Change in residential rate (ad valorem)

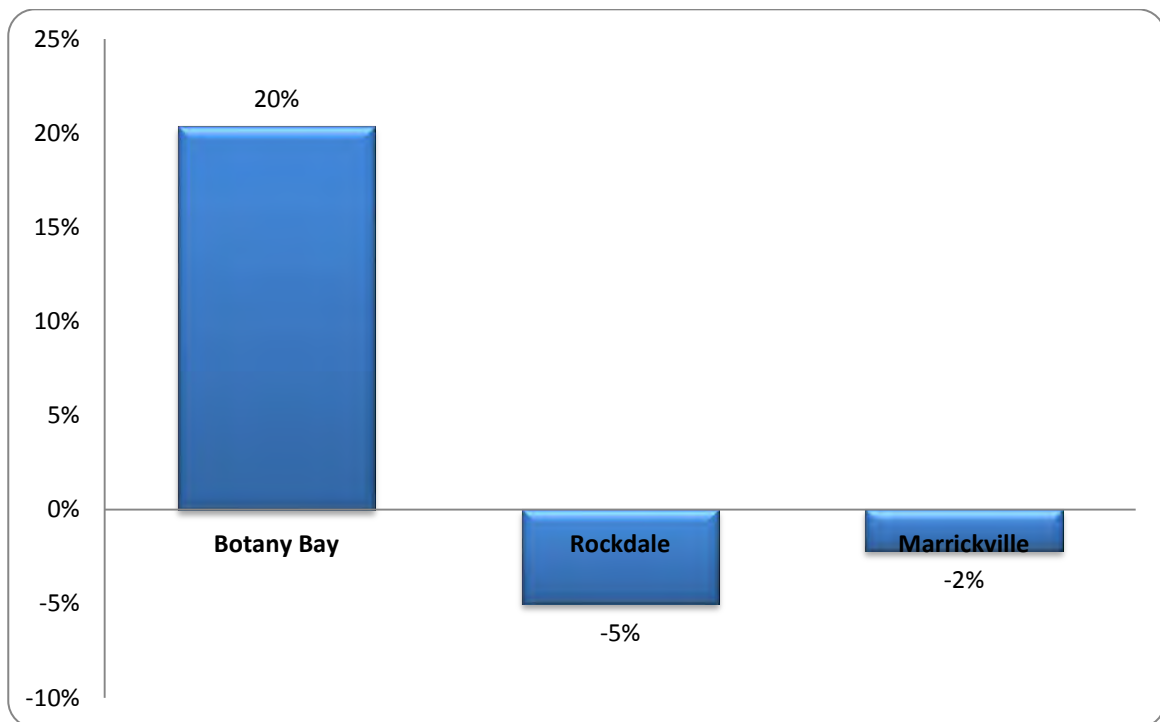


Figure 20 Change in residential rate (base rate)

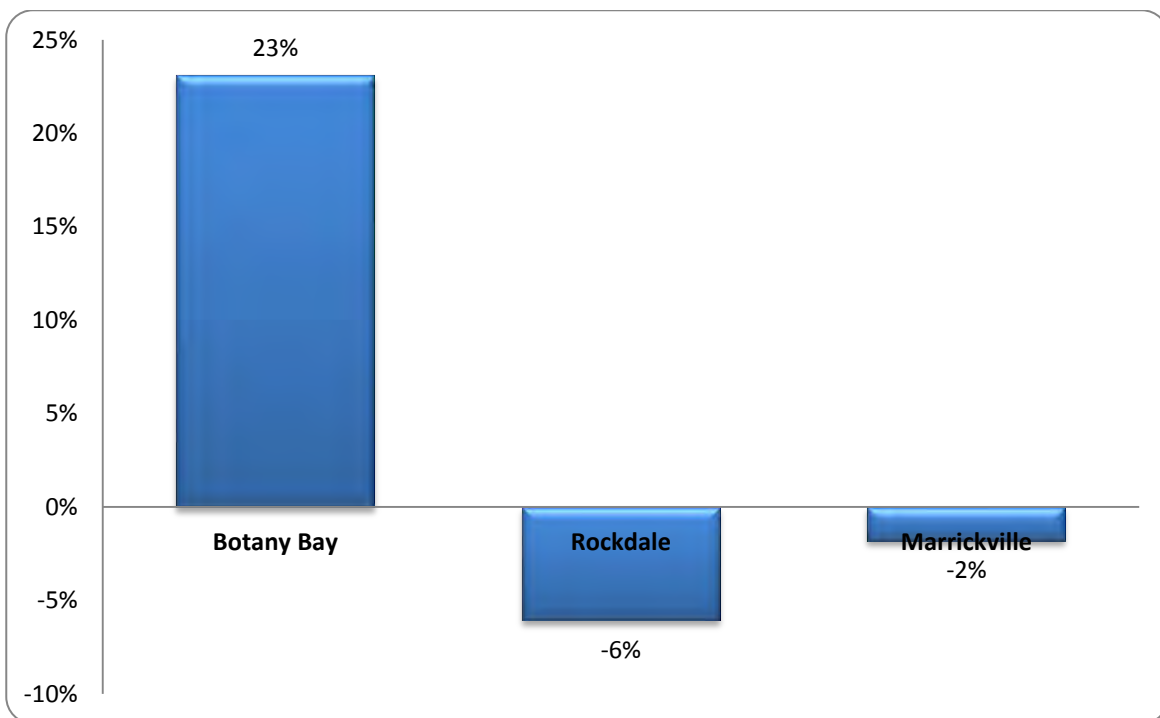


Figure 21 Change in business rate (ad valorem)

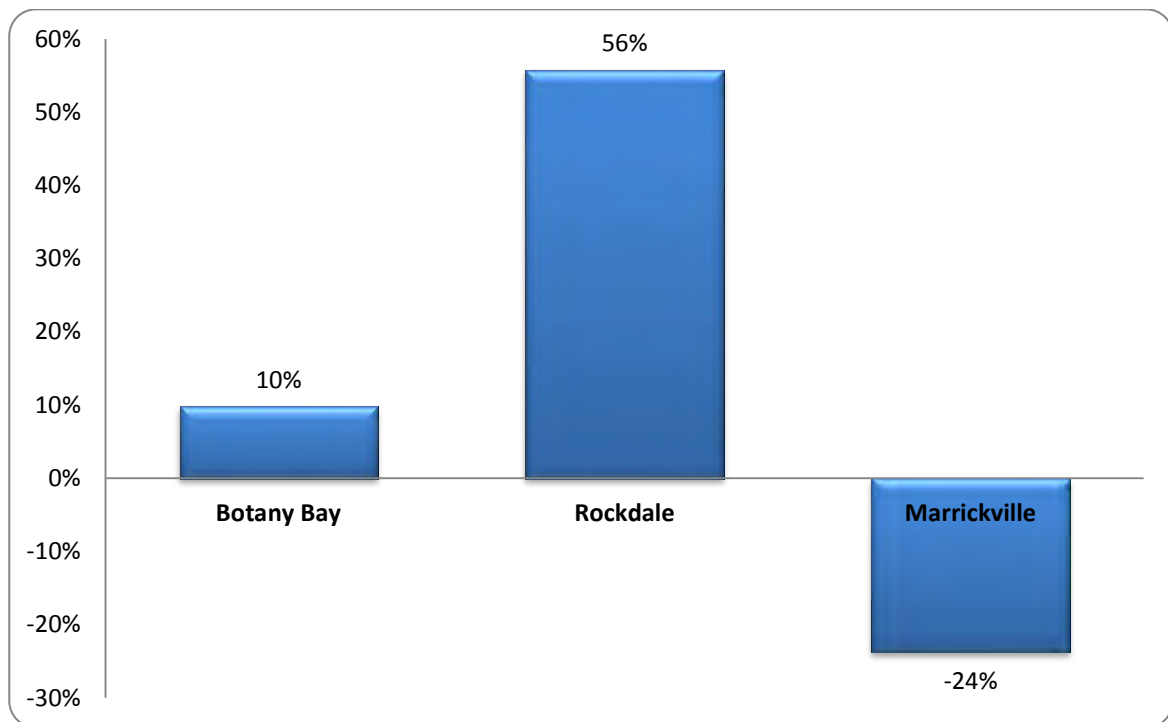
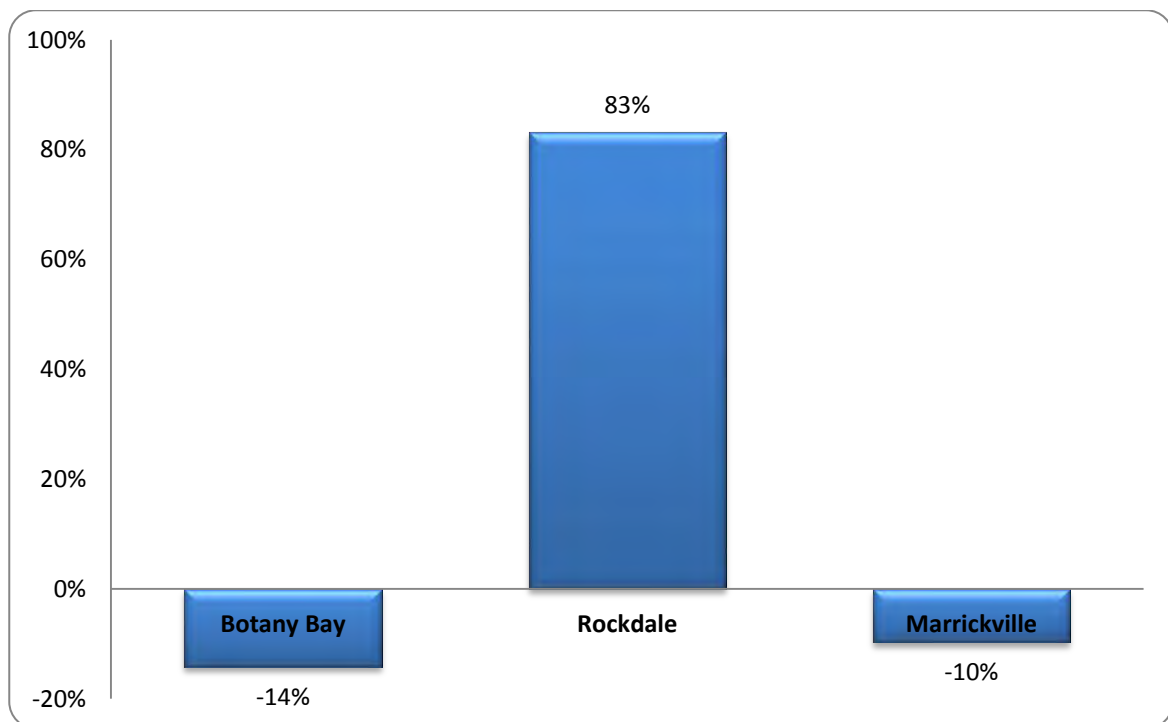


Figure 22 Change in business rate (base rate)



Debt

The airport councils collectively and individually carry little or no debt and all are well within the Fit for the Future benchmark. However, it is recognised that debt is an issue of general concern to communities and that those debt free communities may have a view as to the loss of that debt free status in a merged entity.

Total collective debt for the three councils is currently \$22.3 million.

Table 24 Comparison of debt

Council	Debt (\$000)	Debt Service Ratio	Debt per Capita (\$)
City of Botany Bay	0	N/A	N/A
Marrickville	15,205	1.66	186
Rockdale	7,150	6.29	67
Combined	22,355	N/A	96

4.3.8 Scale and capacity

Scale

Scale has not been defined by either the Independent Review Panel or the Office of Local Government. However, an analysis of the inner Sydney metropolitan councils not recommended for merger appears to indicate a threshold requiring a population of approximately 250,000¹⁷ by 2031.

On that basis a merger of all three councils satisfies this criterion as does a merger of Rockdale and Marrickville.

Capacity

The panel report articulates the Key Elements of Strategic Capacity.¹⁸

¹⁷ Average population in 2031 of the inner Sydney Metropolitan Councils not recommended for merger

¹⁸ Box 8, Page 32 of Revitalising Local Government

Figure 23 Scale and capacity

Box 8: Key Elements of Strategic Capacity	
•	More robust revenue base and increased discretionary spending
•	Scope to undertake new functions and major projects
•	Ability to employ 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.

The performance of the merger options against each of the key elements is set out in the following table. The assumption is that a single council on its own does not meet any of the capacity elements because each council was put into a potential merger group by the Independent Review Panel. The assessment is then based on the extent to which a merger creates a change in assessment against the criteria compared to a single council.

A more detailed explanation of the rationale for these assessments is then set out in Appendix E.

Table 25 Scale and capacity in the airport councils

Criteria	2 Councils	Marrickville/Rockdale	3 Councils
More robust revenue base and increased discretionary spending	No (No change)	Yes (Moderate change)	Yes (Significant change)
Scope to undertake new functions and major projects	No (No change)	Yes (Moderate change)	Yes (Significant change)
Ability to employ wider range of skilled staff	No (No change)	Yes (Moderate change)	Yes (Significant change)
Knowledge, creativity and innovation	No (No change)	Yes (No change)	Yes (No change)
Effective regional collaboration	No (No change)	Yes (Moderate change)	Yes (Significant change)
Credibility for more effective advocacy	No (No change)	Yes (Moderate change)	Yes (Significant change)
Capable partner for state and federal agencies	No (No change)	Yes (Moderate change)	Yes (Significant change)
Resources to cope with complex and unexpected change	No (No change)	Yes (Moderate change)	Yes (Significant change)
High quality political and managerial leadership	No (No change)	Yes (Moderate change)	Yes (Moderate change)

4.3.9 Indicators

In common with the individual councils, the merged council meets the Own Source Revenue and Debt Service Cover benchmarks at day one of the merger. Again, consistent with, and as a function of, the individual councils' ratios both of these measures are maintained at well above the benchmarks for the duration of the modelling period.

The Operating Performance ratio improves over the period of the modelling however it does not ever achieve the sustainability level.

The ratio for Asset Maintenance remains static at 40% of the benchmark for the duration of the period modelled. Well below the required benchmark of 100%

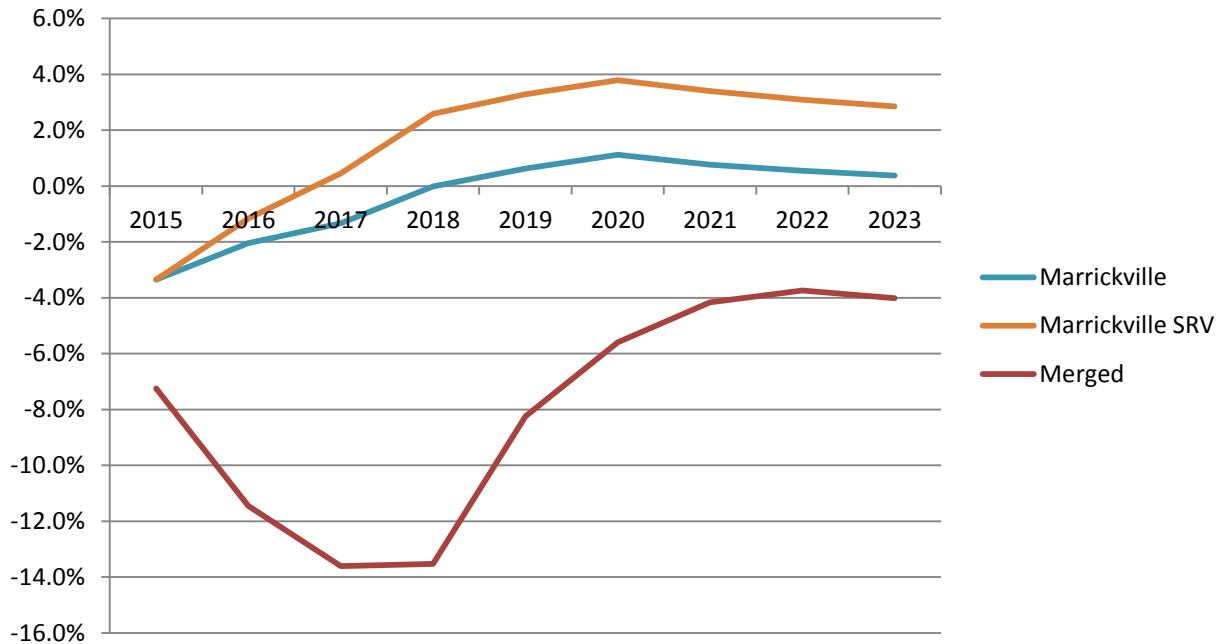
The Asset Renewals ratio rises throughout the period to reach a high point of 88%, however it is still below the benchmark. The Infrastructure Backlog rises consistently from 5% towards 8% during the modelling period, remaining well above the 2% benchmark.

Of the Fit for the Future benchmarks, two (Own Source Revenue and Debt Service Cover) are met at the inception of the merged council entity and over the period being modelled one further benchmark (Real Operating Expenditure) is satisfied.

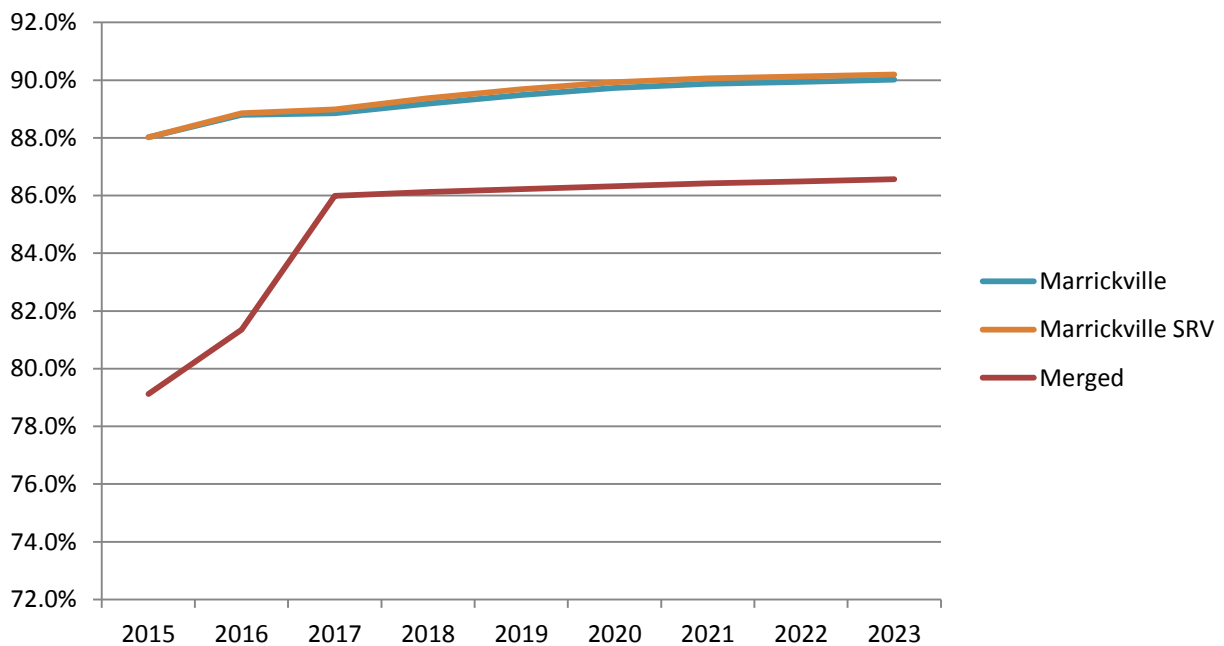
Table 26 Summary of airport council using Fit for the Future indicators

Indicator	At Day One	Over Modelling Period
Operating Performance	Does not meet the benchmark	Does not meet the benchmark
Own Source Revenue	Meets the benchmark	Meets the benchmark
Debt Service Cover	Meets the benchmark	Meets the benchmark
Asset Maintenance	Does not meet the benchmark	Does not meet the benchmark
Asset Renewal	Does not meet the benchmark	Does not meet the benchmark
Infrastructure Backlog	Does not meet the benchmark	Does not meet the benchmark
Real Operating Expenditure	Not applicable	Meets the benchmark

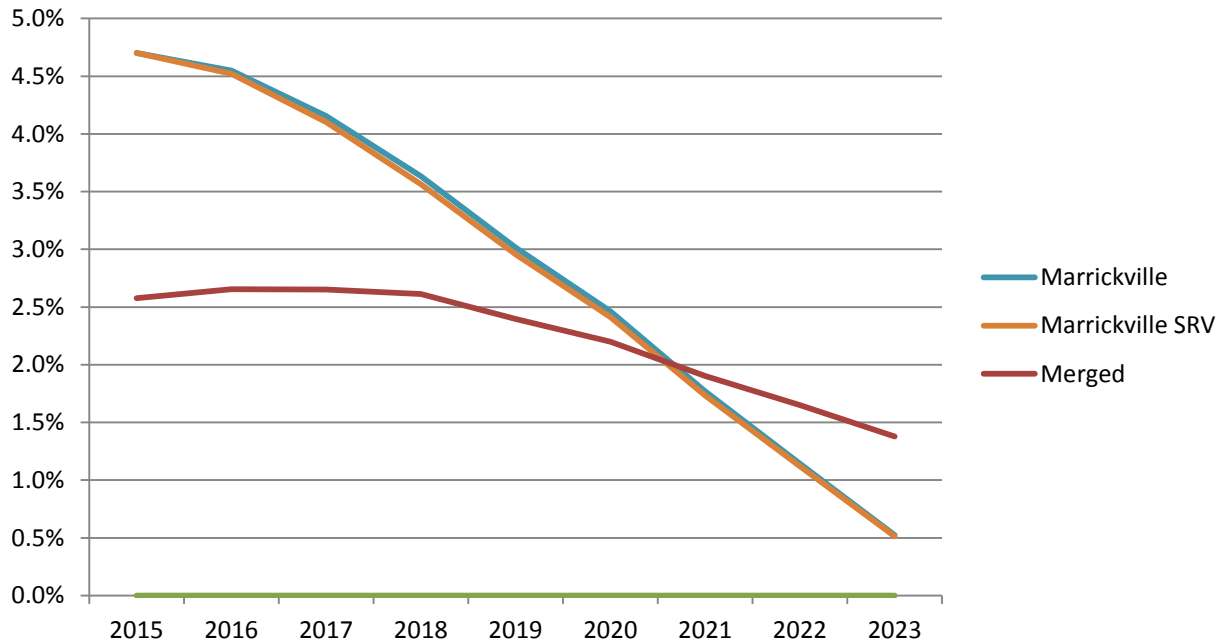
Operating Performance Ratio (greater or equal to break-even average over 4 years)



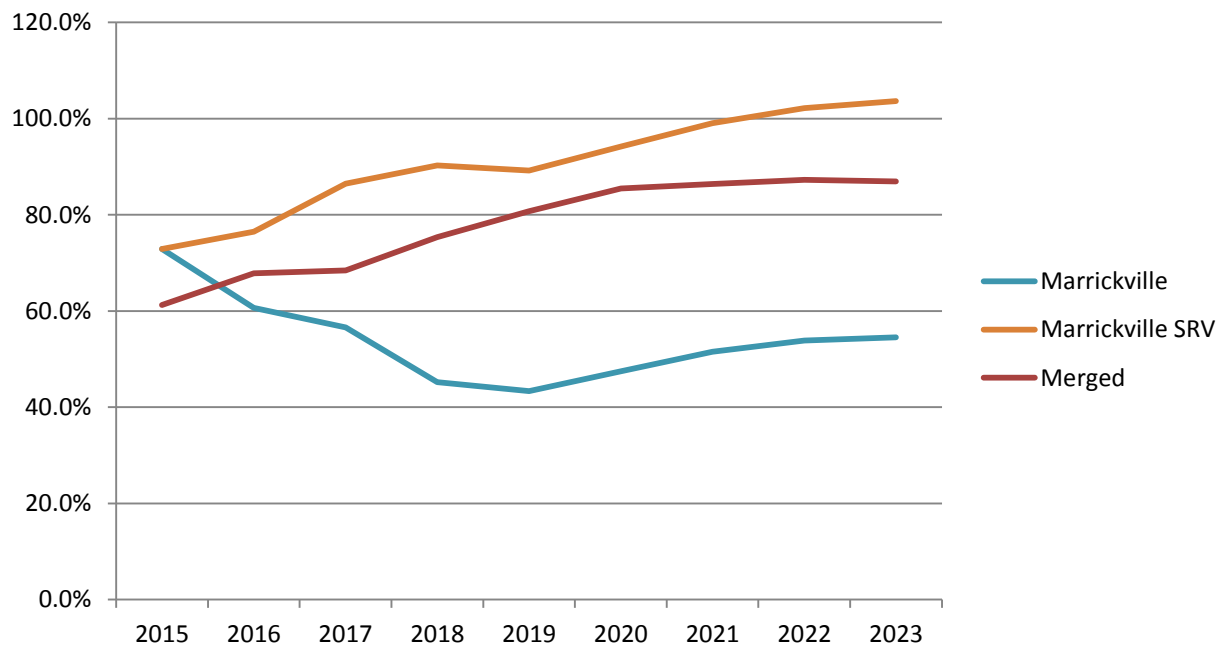
Own Source Revenue Ratio (greater than 60% average over 3 years)

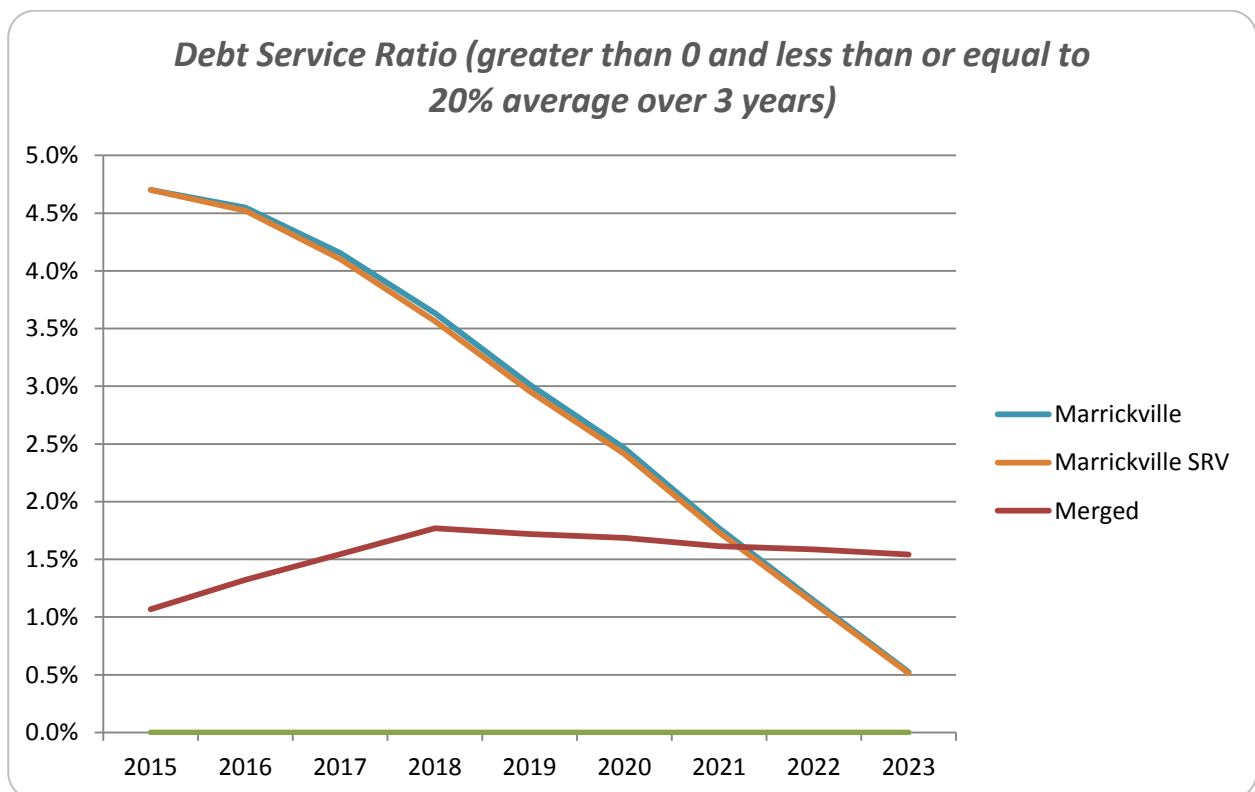
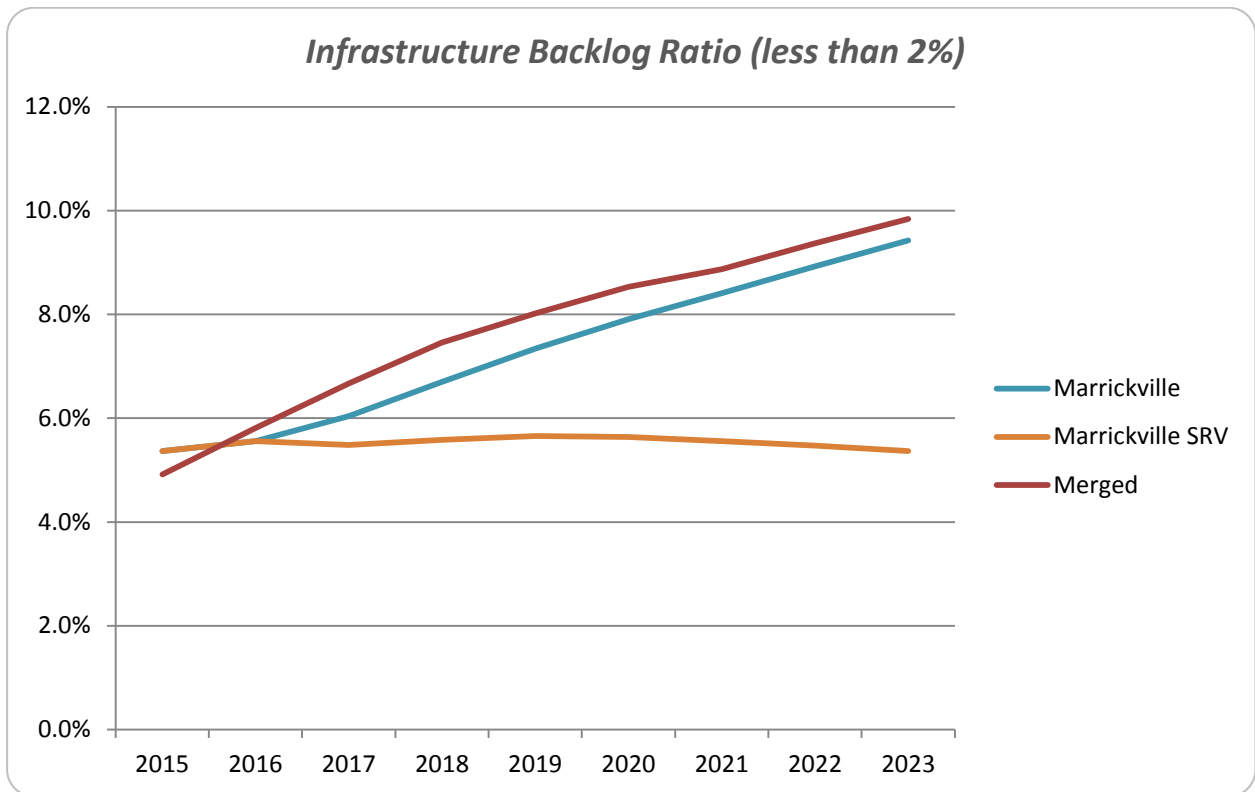


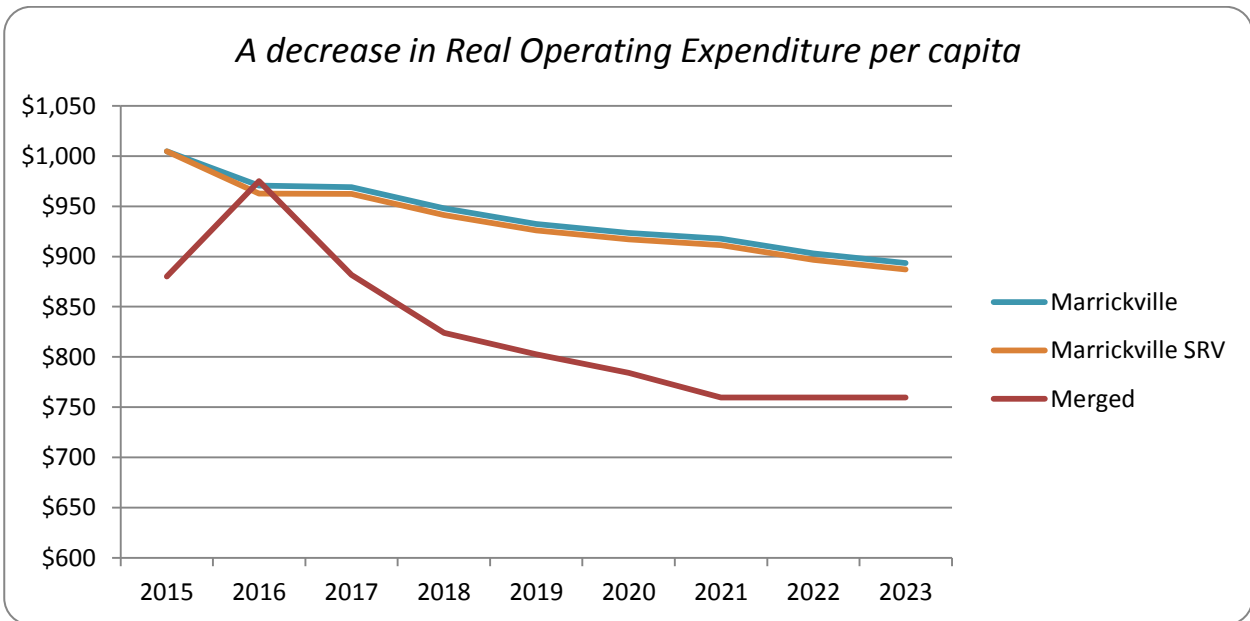
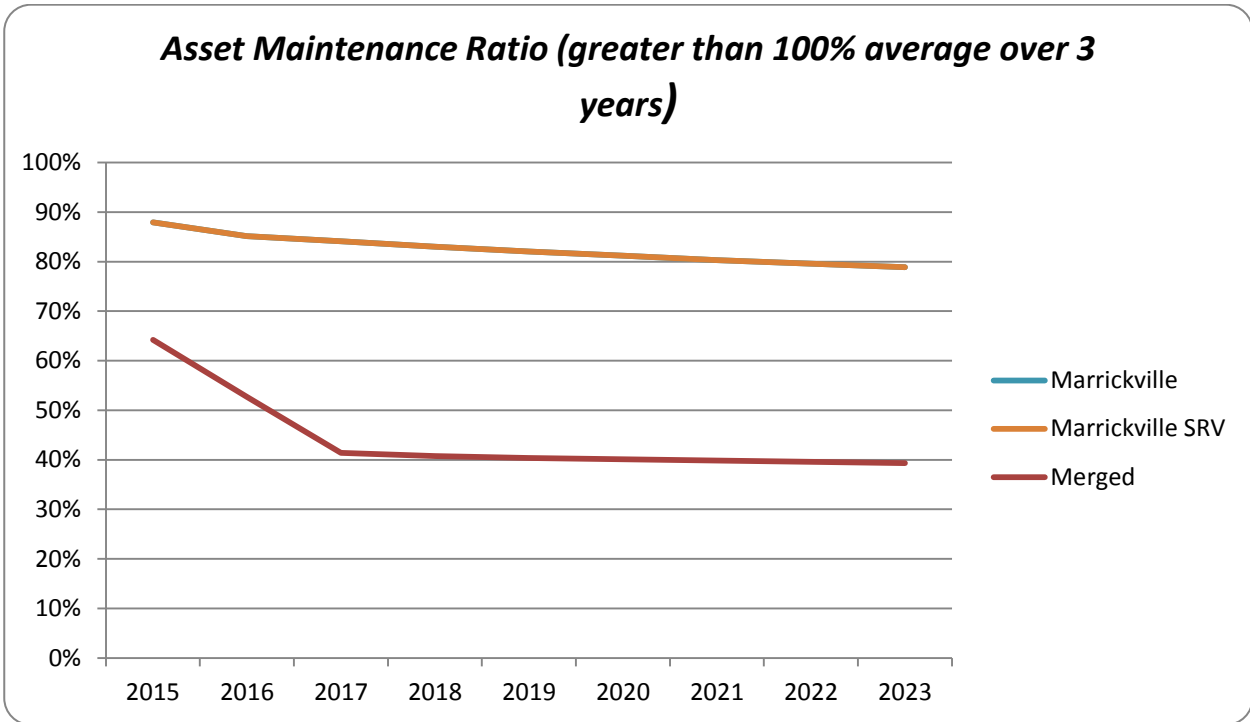
Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)



Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)







4.3.9.1 Asset Maintenance

The same approach to the calculation of required annual maintenance used for each individual council was applied to a merged airport council to identify what, if any, gap in maintenance expenditure would exist. For the purposes of the modelling it is assumed that the combined expenditure on maintenance for the merged council is the total of the existing/predicted maintenance budgets.

Table 27 Merged council asset maintenance funding gap

Council	Actual Annual Maintenance (\$000)	Estimated Required Maintenance (\$000)	Gap (\$000)
Airport Council	13,319	17,871	-4,552

4.3.9.2 Asset Renewal

The required annual renewal expenditure for the airport council is based on the combined calculation of the depreciation on building and infrastructure assets. For the purposes of the modelling it is assumed that the combined expenditure on building and infrastructure renewals for the merged council is the total of the existing/predicted renewal budgets for these assets.

Table 28 - Merged council asset renewal funding gap

Council	Average predicted annual renewals (\$000)	Average required annual renewals (\$000)	Gap (\$000)
Airport Council	19,327	25,637	-7,800

We have then calculated what the merged council would need to spend on additional renewals (i.e. over and above maintaining a 100% asset renewal ratio) to reduce the infrastructure backlog ratio to the benchmark within 5 years and set that out in the table below.

Table 29 Merged council renewal funding gap

Council	Cost to satisfactory (\$000)	Target Backlog (\$000)	Reduction Required (\$000)	Per year (5 years) (\$000)
Airport Council	51,809	22,581	-29,229	-5,846

4.3.9.3 Funding shortfall

Table 30 Merged council asset funding gap

Council	Asset Maintenance (\$000)	Renewals (\$000)	Infrastructure Backlog (\$000)	Average funding required per annum (5 years) (\$000)	Average funding required per annum (5 years+) (\$000)
Airport Council	-4,552	-7,800	-5,846	-18,198	-12,352

4.3.10 Operating Performance

The operating result of the merged council (calculated on the same basis as the operating performance ratio and so excluding capital grants and contributions) has been reviewed and the gap, if any, between the operating revenue and operating expenses identified below. For simplicity, this is presented as an average of the years projected in each council's LTFP.

Table 31 Operating performance funding gap

Council	Gap (\$000)
Airport council	- 9,975

4.3.11 Potential risks

The restructuring of any business activity is always a source of potential risk and the merging of council organisations is no exception. A proper risk assessment and mitigation process is an essential component of any structured merger activity.

Notwithstanding the above, this report is not intended to incorporate or deliver a detailed risk management strategy for any merger of the airport councils. However it is possible to at least identify the major risks involved in the process from a strategic perspective.

Subsequent events and policy decisions

The primary risk is that the efficiencies projected in the business case are not delivered. This can occur for a variety of reasons however the highest risk is that subsequent events are inconsistent with the assumptions or recommendations made during the process.

Those events may arise from regulatory changes between analysis and delivery or subsequent policy decisions about service levels or priorities. As an example, a policy decision to adopt a “no forced redundancies” position after the statutory moratorium expires is unlikely to deliver on the financial savings proposed.

Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

5. SHARED SERVICES

The shared services scenario uses a theoretical design for shared services based on the concept originally put forward in the SSROC submission on Revitalising Local Government in March 2014. Based on our experience and taking into account the geography and nature of the councils the greatest opportunities for shared services exist in the following areas:

- Technical services
- Works
- Support services – HR, IT, Finance

The scale and capacity created in relation to each of these service areas can, under the right circumstances, produce similar levels of efficiency as are available under the merged council scenario.

A number of assumptions have been made in order to model the likely impact of shared services

- All councils will participate and the manner in which the service is established will provide for certainty and longevity of the arrangements. If there is any uncertainty over the continued operation of the shared service this will hamper investment of resources (people, time and funds) in the processes and systems that will generate the efficiencies
- Similar employment protection provisions apply as apply to the merged council
- A shared services provider would be separate from the individual councils and be a service provider to all councils
- The introduction of the shared services is likely to be staged
- Each council retains a 'smart buyer capacity' to ensure that the services purchased from the shared services provider are appropriate and are analysed/tested
- It is acknowledged that more detailed work to review the skills and capability of existing staff (particularly in works and technical services) is required to determine the type and range of services and activities that could actually be delivered
- The shared services provider would be able to provide services beyond the 'parent' councils.
- The governance and management of the shared services unit will be critical to success. As a service provider to the councils it will need both the technical and managerial capability to provide a high quality service to different clients.
- While our view is that the benefits are of a similar scale to that which could be achieved under a merger (within the relevant service areas) achieving the efficiencies is likely to be much more difficult as instead of a single organisation having a shared focus there will be three entities within the arrangement.
- There is also a mixed track record with implementing shared services in particular in NSW and Australia where well known examples at state level have failed to deliver the expected savings (e.g. Business Link). In contrast there are shared services models in other jurisdictions such as New Zealand where shared infrastructure services models operate (e.g. Capacity Infrastructure Services, Nelson/Tasman Regional Sewerage Business Unit and Manawatu/Rangitikei Shared infrastructure Services).

- The table below sets out the likely estimated costs and benefits arising from shared services¹⁹. We have grouped the technical services and works together and dealt with support services separately. This highlights the impact the significant establishment costs associated with a shared support service has. The costs of establishing a shared service for works and technical services is quickly recovered. In contrast the costs of a support shared service are far more significant and are not recovered over the period being modelled. A more detailed breakdown is set out in Appendix I

Table 32 Estimated costs and benefits from shared services

Shared Services ('\$000)	Total Costs/Benefits (1 – 3 years) (\$000)	Total Costs/Benefits (4 – 5 years) (\$000)	Total Costs/Benefits (5-9 years) (\$000)	Total savings/cost 9 years (\$000)
Tech Services and Works	1,278	26,212	43,984	71,474
Support Services	-56,850	5,200	41,828	-9,821
Total	-55,572	31,412	85,813	61,653

¹⁹ Refer to Appendix C for assumptions regarding costs and benefits of the merger scenario. Appropriate costs and benefits have been scaled as appropriate to the shared services model.

6. CONCLUSIONS

The government has made it clear that the starting point for every council is scale and capacity. The Independent Panel position was that scale and capacity for each of the three councils arises through a merger with other councils. The City of Botany Bay with the eastern beaches and the City, Marrickville with the inner west and Rockdale with the St George and Canterbury. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

The table below provides a summary of the Council's performance against the benchmarks.

Table 33 Marrickville Council (status quo) performance against Fit for the Future benchmarks

Indicator	Modelling Outcome (without SRV)	Modelling Outcome (with SRV)
Operating Performance	Meets the benchmark in 2018	Meets the benchmark in 2017
Own Source Revenue	Already exceeds benchmark	Already exceeds benchmark
Debt Service Cover	Already exceeds benchmark	Already exceeds benchmark
Asset Maintenance	Doesn't meet benchmark	Doesn't meet benchmark
Asset Renewal	Doesn't meet benchmark	Meets benchmark by 2022
Infrastructure Backlog	Doesn't meet benchmark	Doesn't meet benchmark
Real Operating Expenditure	Meets the benchmark	Meets the benchmark

6.1 Modified status quo

In order to meet the Fit for the Future benchmarks each of the councils requires an increase in revenue and/or a decrease in costs to address both an operating deficit (as judged against the Operating Performance Ratio criteria) and short and longer term infrastructure issues.

Marrickville has begun this process through a Special Rate Variation application while others have undertaken internal reviews including reviews of valuation and depreciation.

The table below identifies the extent of the funding gap to address the infrastructure benchmarks of asset maintenance ratio²⁰, renewal ratio and bringing the infrastructure backlog²¹ to the benchmark of 2% within five years. After that the funding gap diminishes for each council in order to satisfy only the renewals and maintenance ratios.

²⁰ Based on Morrison Low's assessment of required maintenance

²¹ Based on condition 3 being satisfactory and as calculated using the Morrison Low methodology

Table 34 Summary of infrastructure funding gap

Council ²²	Average funding required per annum (5 years) (\$000)	Average funding required per annum (5 years+) (\$000)
City of Botany Bay	-\$ 2,678	-\$ 1,055
Marrickville	-\$ 8,439	-\$ 4,921
Rockdale	-\$ 5,691	-\$ 4,987

The table below identifies the average annual gap between operating revenue and operating expenditure (as per the operating performance ratio guidelines) over the time period within each council's LTFP. Each council will also need to address this in order to meet the benchmark.

Table 35 Operating performance funding gap

Council	Average gap (\$000)
City of Botany Bay	-1,300
Marrickville	N/A
Rockdale	-4,900

The process undertaken during this project identified a range of areas in which the councils can work together either through a shared services model as set out in this report or through some other collaborative working or procurement arrangement.

Even if the additional expenditure requirements set out above are achieved and a council meets all the Fit for the Future benchmarks, which logic would dictate means that scale and capacity has therefore been met, a council will still need to address the government's starting point of scale and capacity first. Interestingly in the case of each of these councils the Independent Panel position was that scale and capacity for each was achieved by a merger with different councils.

While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that.

6.2 Airport council

6.2.1 Scale and capacity

The independent panel recommendation proposed different merger options for each of the airport councils. Under the Fit for the Future reforms this means each of these models would satisfy the scale and capacity test.

Only a merger of the three councils appears to satisfy what appears to be the scale and capacity requirement of a population of 250,000 (based on the average size of council's not proposed for merger) by 2031. A merger of Marrickville and Rockdale will go close to satisfying this test but any other two council option amongst the airport councils will not.

²² Infrastructure funding gap does not take into account any potential SRV applications

6.2.2 Fit for the Future benchmarks

The merged council is the sum of its parts. This means that the asset and financial position of each council directly contributes to the overall asset and financial position of the merged council.

The asset focus of the Fit for the Future benchmarks means that like the individual councils, the merged council does not meet the asset related benchmarks. A funding gap in order to address the asset maintenance, asset renewal and infrastructure backlog ratios exists which is set out in the table below.

Table 36 Merged council asset funding gap

Council	Average funding required per annum (5 years) (\$000)	Average funding required per annum (5 years+) (\$000)
Merged Council	-18,198	-12,352

The NPV of the financial costs of the investment required to meet all the infrastructure benchmarks²³ is set out below (a negative number indicates a cost).

Table 37 NPV of the merged council asset funding gap

NPV at 4%	NPV at 7%	NPV at 10%
-\$130 million	-\$115 million	-\$103 million

The significant transitional costs identified throughout this report mean the operating performance ratio is negative from day one and while some efficiency benefits have been modelled in arising through the merger these are not sufficient to improve the financial performance of the council. The trend over the period modelled is for the operating result (excluding grants and contributions for capital purposes) to improve through until 2021 before declining again but the merged council never satisfies the Operating Performance ratio.

The debt service and own source revenue ratios are exceeded by the merged council from day one and remain above the benchmarks throughout the period being modelled.

The table below summarised the merged council performance against the benchmarks.

Table 38 Merged council performance against Fit for the Future benchmarks

Indicator	At Day One	Over Modelling Period
Operating Performance	Does not meet the benchmark	Does not meet the benchmark
Own Source Revenue	Meets the benchmark	Meets the benchmark
Debt Service Cover	Meets the benchmark	Meets the benchmark
Asset Maintenance	Does not meet the benchmark	Does not meet the benchmark
Asset Renewal	Does not meet the benchmark	Does not meet the benchmark
Infrastructure Backlog	Does not meet the benchmark	Does not meet the benchmark
Real Operating Expenditure	Not applicable	Meets the benchmark

²³ Asset maintenance and renewals are satisfied from year 1 and the infrastructure backlog within five years

6.2.3 Debt

The debt levels across the councils are low (total debt is \$22.3M) and in the case of the City of Botany Bay non-existent. All councils are well below the debt service ratio and the same is true for the merged council. Typically, the consolidation of debt in a merger can be a community issue as a community with little or no debt may perceive as unfair having to repay debt that 'belongs' to other communities and other community's assets. In the case of the airport councils this may arise for the City of Botany Bay residents who currently carry no debt.

All councils are well below the debt service ratio and the same is true for the merged council. Typically, the consolidation of debt in a merger can be a community issue as a community with little or no debt may perceive as unfair having to repay debt that 'belongs' to other communities and other community's assets. In the case of the airport councils this may arise for the City of Botany Bay residents who currently carry no debt.

6.2.4 Rates

Modelling the changes in rates in a merger is very difficult to do with any degree of accuracy. Presently there are a number of significant differences in the rating systems of the councils which impact on the rates charged to an individual property. The key examples are the different minimum rates across the three councils as well as large variations in the proportion of rates borne by business and residential rate payers. For example in Rockdale businesses bear 12% of the rates whereas in Marrickville that proportion rises to 40%.

Currently Rockdale has the highest average residential rate (\$913) and the City of Botany Bay the highest average business rates (\$9,108). In comparison the City of Botany Bay has the lowest average residential rate (\$674) and Rockdale the lowest average business rate (\$2,674).

A merged council would ultimately set a single rating system across the three councils and regardless of the approach there would be some properties where rates would rise and others where rates would reduce. A key driver for this would be land value and residents with comparatively high value properties would bear a higher proportion of the rates.

Changes to the average business and average residential rates are modelled using an entirely ad valorem and then a base rate scenario to represent a range of potential impacts that could be expected.

Under a merger of the three councils the average residential rate would increase in the City of Botany Bay under an entirely ad valorem system where land value is the sole determinant. Average residential rates would reduce in both Rockdale and Marrickville. The introduction of a base rate at the maximum level sees similar affects.

Under both scenarios the average business rate would significantly increase in Rockdale and decrease in both the City of Botany Bay and Marrickville.

6.2.5 Environmental

The comparison of the community strategic plans highlighted the community as a common theme across all the councils. While the review of the LEPs of the councils identified some different approaches and differing levels of relative importance for the natural and built environment they were only small. Each council is targeting different types of growth, however only Botany Bay's growth strategies are dominated by the economic significance of the airport (and Port Botany).

The focus of metropolitan planning is different for the areas. Botany and Marrickville are part of the Global Economic Corridor with specific priorities relating to structure planning for the Airport and Port precincts as “transport gateways”. The major economic drivers for the Subregion, in which Rockdale is grouped, are largely seen as external (Global Economic Corridor, Sydney Airport, Port Botany and the Illawarra).

6.2.6 Representation

One of the biggest negative impacts from a merger of the airport councils is on representation. The number of people represented by each councillor will increase significantly making it more difficult for residents to access their councillors and the council. Based on the current maximum of 15 councillors, each of those would represent over 15,000 residents which is more than double the current level of approximately 6,800 residents per councillor.

While measures can be put in place to address a loss of representation through local or community boards at present the government has not set out in detail any proposal that the community could consider.

6.2.7 Community profile and communities of interest

The Airport Councils have come together to consider what merger options might look like based on their common relationship of having part of Sydney Airport within their boundaries. This gives the communities commonality around transport corridors, economic focus, and social and environmental impact.

There are a number of commonalities between the areas, including the dependence on, and movements to, the City of Sydney for employment, entertainment, retail and other services (as with all inner and middle ring suburbs). There are also higher education levels than Greater Sydney, low employment containment within each council area, and all areas anticipate significant population growth to 2031 (as with Greater Metropolitan Sydney general).

There are a range of *differences* between the areas, including Marrickville being more academically inclined, and Marrickville and Rockdale having lower portions of children and elderly in their populations. City of Botany Bay’s population density is significantly lower than the other councils and has the largest economy, both in gross terms and on a per capita basis reflecting its share of industrial land.

The areas are not a natural grouping in a regional planning sense, with Rockdale generally forming part of the St George region, City of Botany Bay tending towards the eastern suburbs, and Marrickville within the inner west or inner Sydney. This is borne out in cross-border movements and migration.

Ultimately the question is whether a merged council could adequately represent the different communities of interest surrounding the airport and at this time the question needs to be considered alongside the significant reduction in representation.

6.2.8 Costs and Savings of the merger

The costs and savings of the merger arise throughout the period being modelled. The costs and savings should not be considered in isolation. They only form part of the information on which a decision should be made and in particular they should be considered in conjunction with the infrastructure funding gap identified above.

Initially in the transition from three councils into one there are costs associated with creating the single entity (structure, process, policies, systems and branding), costs continue to arise through redundancies of senior staff and the implementation of a single IT system across the new council which has significant cost implications. Costs of the merger continue to arise in the medium and longer term largely from redundancy costs (one off) but increasingly from an overall increase in staff numbers which is typical of merged councils and considered to arise as a result of increased services and service levels.

Savings initially arise in the short term through the reduction in the number of senior staff and Councillors required in comparison to the councils combined. Natural attrition is initially applied meaning that overall staff numbers fall in the short term. Savings are also projected to arise in relation to procurement and operational expenditure due to the size and increased capacity of the larger council. In the medium and longer term benefits arise through reducing the overall staff numbers with a focus on removing the duplication of roles and creating greater efficiency in operations, outsourcing waste collection to a single regional contract and the rationalisation of buildings and plant (one off).

The operating performance of the merged council (excluding grants and contributions for capital purposes) is negative in every year of the period being modelled except the year in which asset and plant rationalisation occur. The NPV of the costs and savings over the period being modelled (2023²⁴) has been calculated and set out below.

Table 39 Summary of costs and savings

NPV at 4%	NPV at 7%	NPV at 10%
\$102 million	\$83 million	\$67 million

6.2.9 Risks arising from merger

There are significant potential risks arising from the merger both in a financial and non-financial sense. The obvious financial risks are that the transitional costs may be more significant than set out in the business case or that the efficiencies projected in the business case are not delivered. The business case is high level and implementation costs and attaining the savings will be difficult to achieve.

If, for example, the council chooses not to follow through with the projected efficiencies, this will affect the financial viability of the merged council. Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned.

Careful consideration of the issue of cultural integration will be required and the most consistent remedy to these particular risks is in our view strong and consistent leadership. Corporate culture misalignment during the post-merger integration phase often means the employees will dig in, form cliques, and protect the old culture. In addition to decreased morale and an increased staff turnover rate, culture misalignment reduces business performance. It also prolongs the time it takes for the predicted efficiencies to be achieved.

The integration of services with differing service levels often leads to standardising those service levels at the highest level of those services that are being integrated. This is quite often a response to a natural desire to deliver the best possible services to communities as well as the need to balance service levels to community expectations across the whole area. However it

²⁴ 2023 is the period being modelled to match the time covered by all Council LTFPs

does pose the risk of increased delivery costs and/or lost savings opportunities. Similarly, introducing services that are not currently delivered in one or more of the former council areas to the whole of the new council area will incur additional costs.

Alongside these typical risks arising from a merger in the case of the airport council the poor financial performance would be likely to lead to the new council having to review services and service levels to seek significant further efficiency gains and/or increase rates to address the operating deficit.

The different communities of interest across the area and the number of service delivery and metropolitan planning boundaries crossed by the new council also present a risk to being able to deliver effective governance.

APPENDIX A Fit For The Future Benchmarks²⁵

Operating Performance Ratio

*Total continuing operating revenue (exc. capital grants and contributions)
less operating expenses*

Total continuing operating revenue (exc. capital grants and contributions)

Description and Rationale for Criteria:

TCorp in their review of financial sustainability of local government found that operating performance was a core measure of financial sustainability.

Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.

Operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements.

Description and Rationale for Benchmark:

TCorp recommended that all Councils should be at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a 3 year period.

Own Source Revenue Ratio

Total continuing operating revenue less all grants and contributions

Total continuing operating revenue inclusive of capital grants and contributions

Description and Rationale for Criteria:

Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.

Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.

²⁵ Office of Local Government Fit for the Future Self-Assessment Tool

Description and Rationale for Benchmark:

TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All Councils should aim to meet or exceed this benchmark over a three year period.

It is acknowledged that many councils have limited options in terms of increasing its own source revenue, especially in rural areas. However, 60 per cent is considered the lowest level at which councils have the flexibility necessary to manage external shocks and challenges.

Debt Service Ratio

Cost of debt service (interest expense & principal repayments)

Total continuing operating revenue (exc. capital grants and contributions)

Description and Rationale for Criteria:

Prudent and active debt management is a key part of Councils' approach to both funding and managing infrastructure and services over the long term.

Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.

Inadequate use of debt may mean that councils are forced to raise rates that a higher than necessary to fund long life assets or inadequately fund asset maintenance and renewals. It is also a strong proxy indicator of a council's strategic capacity.

Council's effectiveness in this area is measured by the Debt Service Ratio.

Description and Rationale for Benchmark:

As outlined above, it is appropriate for Councils to hold some level of debt given their role in the provision and maintenance of key infrastructure and services for their community. It is considered reasonable for Councils to maintain a Debt Service Ratio of greater than 0 and less than or equal to 20 per cent.

Councils with low or zero debt may incorrectly place the funding burden on current ratepayers when in fact it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management.

Asset Maintenance Ratio

$$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$$

Description and Rationale for Criteria:

The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council.

The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning.

Description and Rationale for Benchmark:

The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. This benchmark is consistently adopted by the NSW Treasury Corporation (TCORP). A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.

Given that a ratio of greater than one hundred percent is adopted, to recognise that maintenance expenditure is sometimes lumpy and can be lagged, performance is averaged over three years.

Building and Infrastructure Renewal Ratio

$$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$$

Description and Rationale for Criteria:

The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration.

This is a consistent measure that can be applied across councils of different sizes and locations. A higher ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time.

Given that a ratio of greater than one hundred percent is adopted, to recognise that capital expenditures are sometimes lumpy and can be lagged, performance is averaged over three years.

Infrastructure Backlog Ratio

$$\frac{\text{Estimated cost to bring assets to a satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets}}$$

Description and Rationale for Criteria:

The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability.

It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase.

This is a consistent measure that can be applied across councils of different sizes and locations. A low ratio is an indicator of strong performance.

Description and Rationale for Benchmark:

High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery. Councils with increasing infrastructure backlogs will experience added pressure in maintaining service delivery and financing current and future infrastructure demands.

TCorp adopted a benchmark of less than 2 per cent to be consistently applied across councils. The application of this benchmark reflects the State Government's focus on reducing infrastructure backlogs.

Reduction in Real Operating Expenditure

Description and Rationale for Criteria:

At the outset it is acknowledged the difficulty in measuring public sector efficiency. This is because there is a range of difficulty in reliably and accurately measuring output.

The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.

It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively Councils:

- can realise natural efficiencies as population increases (through lower average cost of service delivery and representation); and
- can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).

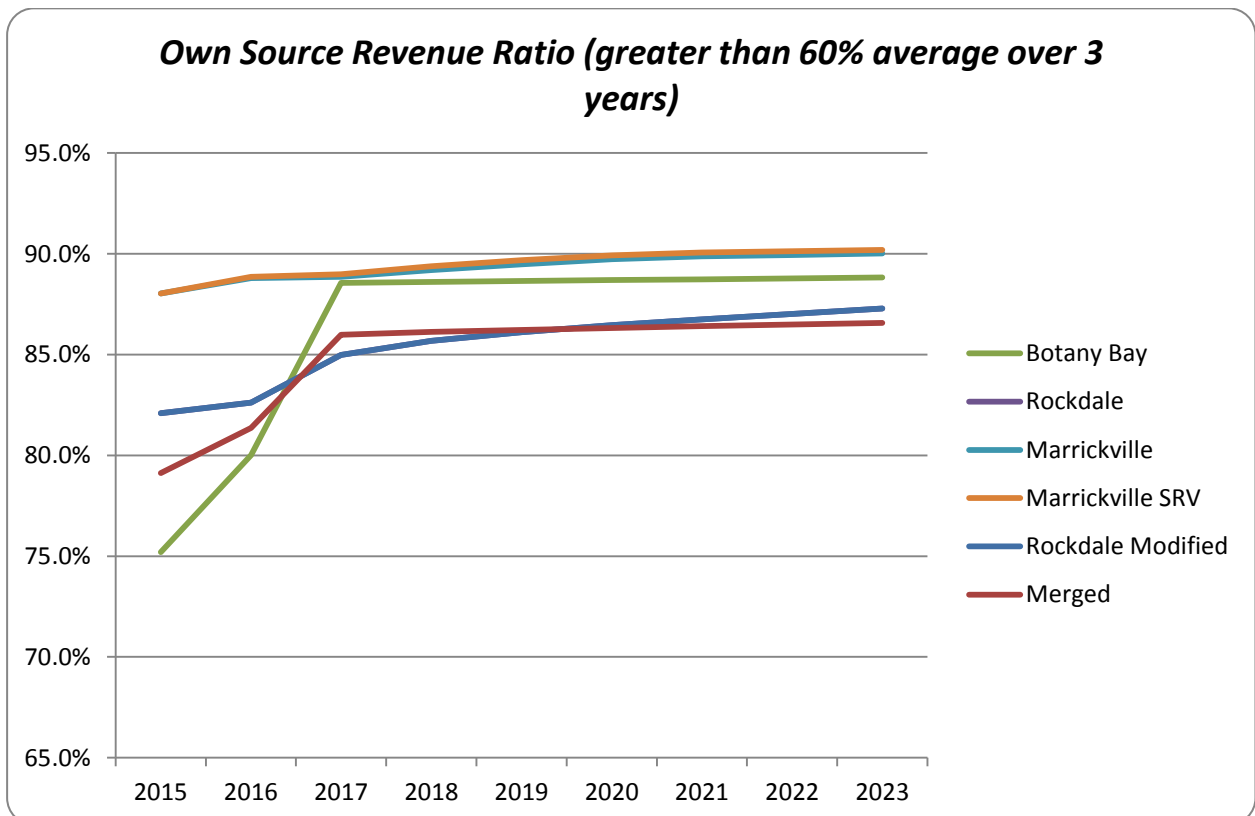
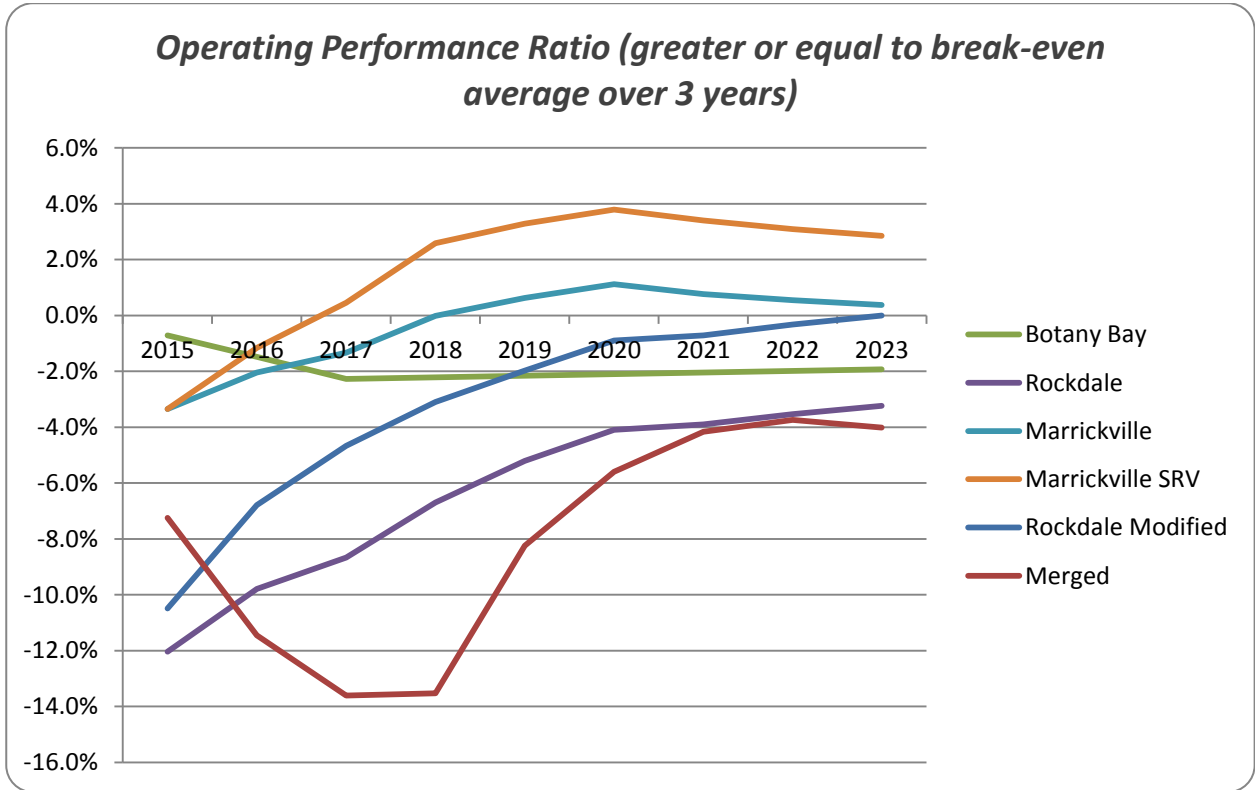
Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).

Description and Rationale for Benchmark:

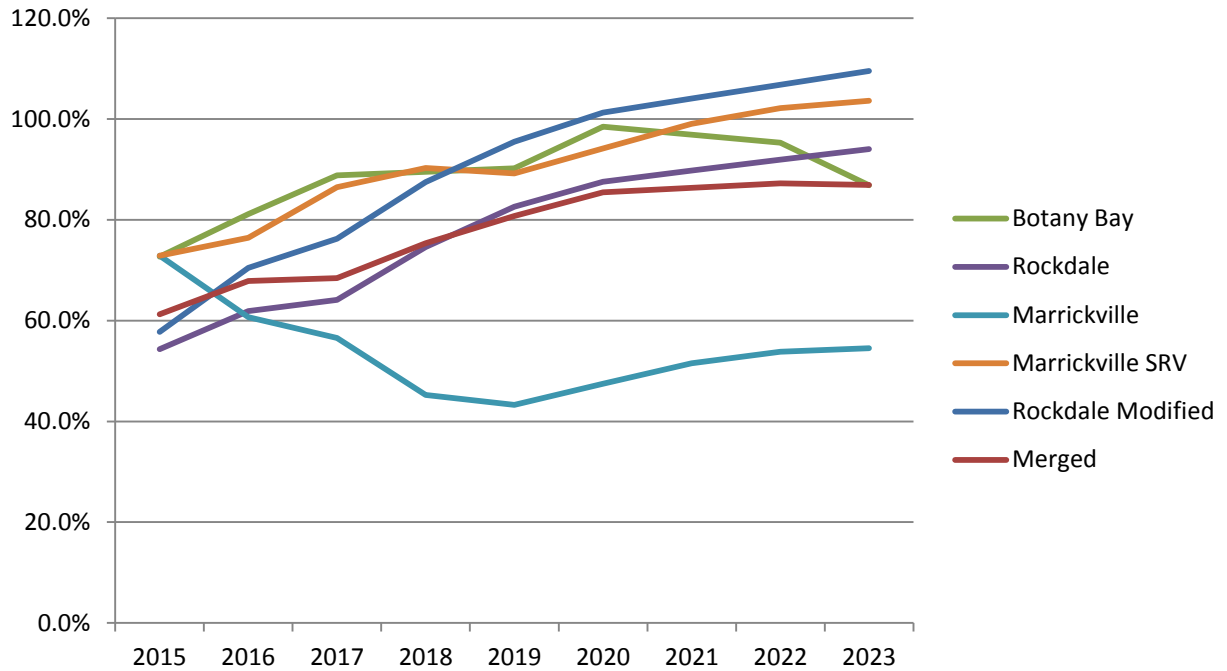
The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by the Independent Pricing and Regulatory Tribunal (IPART). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community, in the context of their development of their Integrated Planning and Reporting.

Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a 5-year trend.

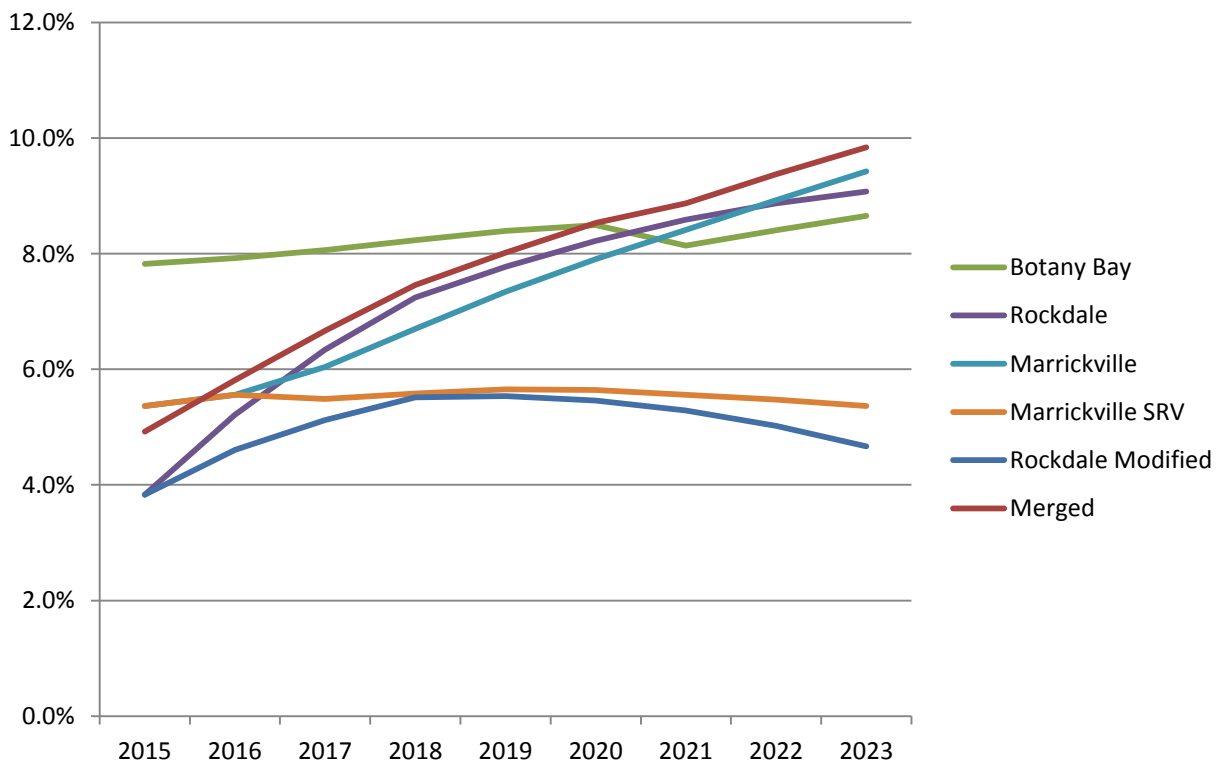
APPENDIX B Combined Status Quo Assessment against the Fit for the Future Benchmarks



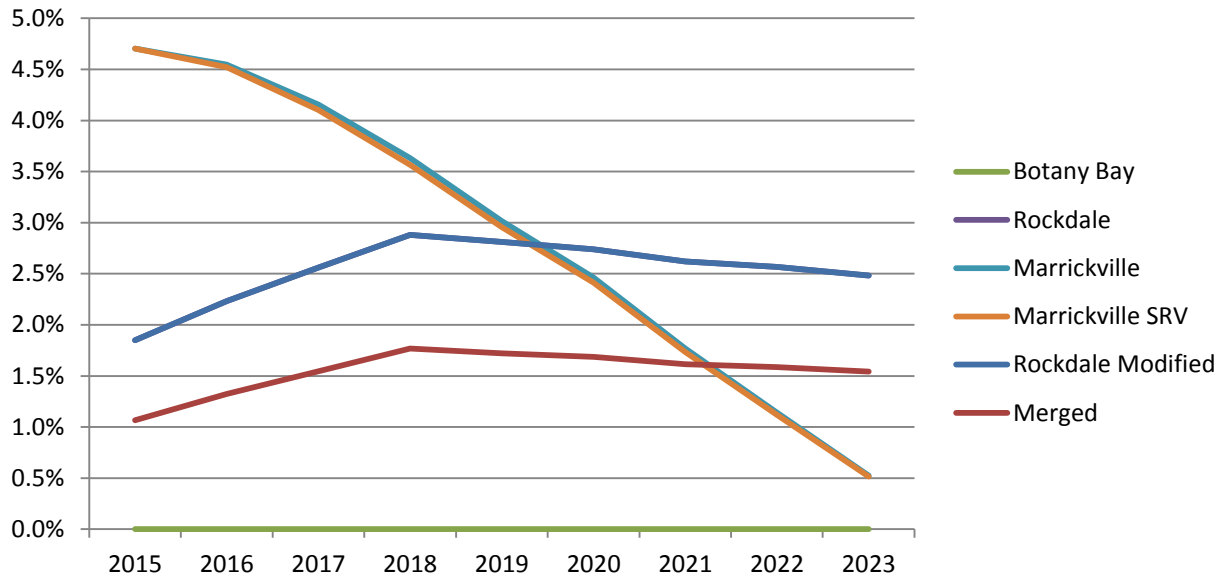
Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)



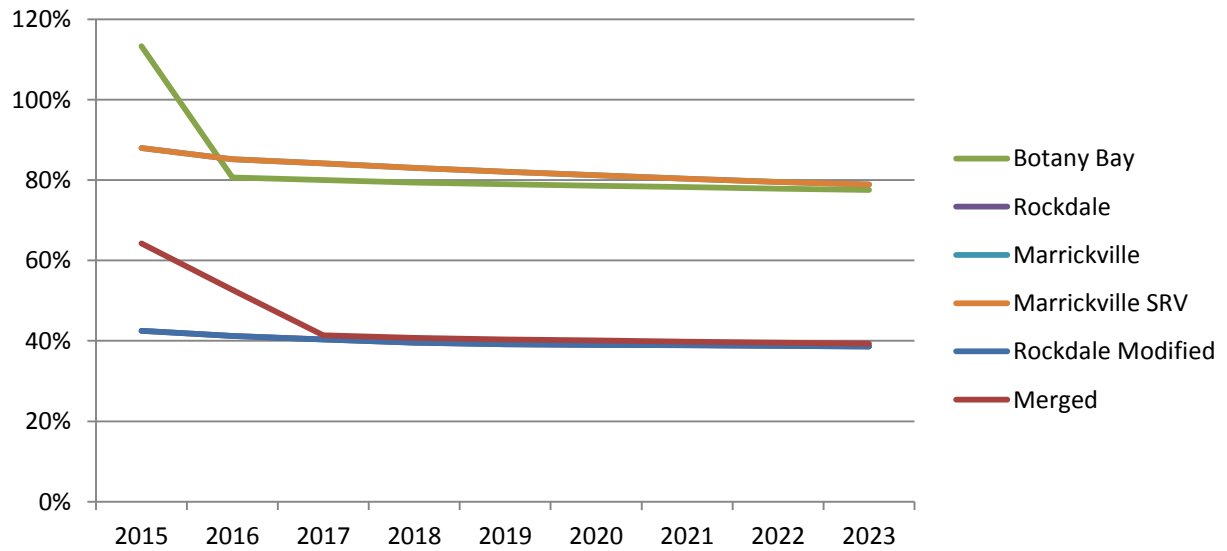
Infrastructure Backlog Ratio (less than 2%)



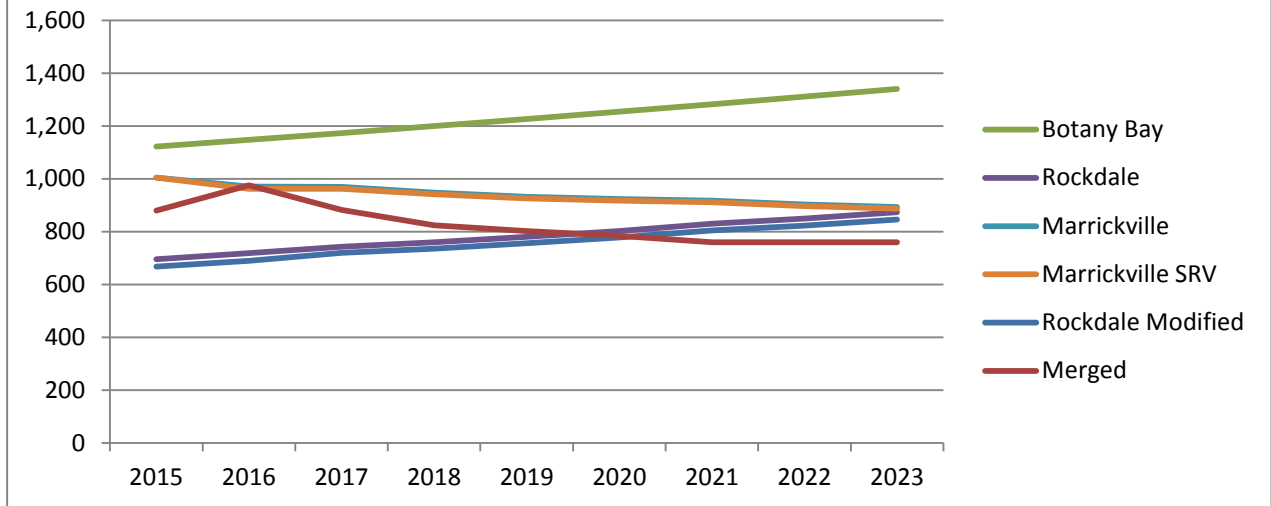
Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)



Asset Maintenance Ratio (greater than 100% average over 3 years)



A decrease in Real Operating Expenditure per capita



APPENDIX C Costs and benefits arising from a merger of the airport councils – detailed assumptions

Costs and benefits identified below form the basis of the modelling referred to throughout the report.

Assumptions have been made using the best available information including analysis of various reports on and estimates of merger costs in other similar situations. This has been supplemented with professional opinion of Morrison Low staff based on experience including with the Auckland Transition Authority.

Costs are one off unless stated otherwise whereas benefits continue to accrue each year unless stated otherwise.

1 Governance and executive team

The formation of a new entity is likely to result in some efficiencies resulting from a new governance model and rationalisation of the existing executive management teams. For the purposes of this review the governance category includes the costs associated with elected members, Council committees and related democratic services and processes, and the executive team.

The table below summarises the expected efficiencies together with the associated timing for governance.

	Staff	Duplicated Services	Elected Members	On Costs
Transition Period	Nil	Nil	Nil	Nil
Short Term (1 to 3 years)	Streamlined Management (General Managers and Directors) Natural attrition (voluntary)	General Managers, Directors, Mayoral/GM support Council/Committee Secretarial Support	Reduced councillors and remuneration	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management and staff Natural attrition (voluntary)			Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)				

1.1 Governance (\$260,000)

The formation on a new entity is expected to result in efficiencies resulting from a new governance model and a reduction in the number of existing Mayors and Councillors. However, this will depend directly on the adopted governance structure including the number of councillors. Estimated governance costs for the new entity have been based on the Lord Mayor and Councillor fees from the City of Sydney as reported in the Annual Report 2014. The Independent Review Panel has envisaged a full time Mayor and there will be higher costs associated with

such a role than the current Mayor and Councillors of the airport councils receive. It is assumed that there would be 14 councillors and a Mayor.

The total governance costs across the councils is approximately \$970,000 based on the respective council's annual reports 2013/14 and there is the potential ongoing efficiency of \$260,000.

1.2 Executive management (\$1.8 million)

The formation of a single entity is likely to result in efficiencies due to an overall rationalisation in the total number of executive managers required at the Tier 1 (General Managers) and Tier 2 (Directors). Revised remuneration packages for the new General Manager and Directors for the new entity have been informed and assumed to be similar to that of the Sutherland Shire Council executive remuneration packages since Sutherland is of a similar size and scale to that of the proposed new entity.

The General Managers total remuneration for the councils was approximately \$900,000, based on the council's respective annual reports 2013/14, and the amalgamation to a single entity with a single General Manager has the potential saving of approximately \$545,000.

In addition there would be a rationalisation of the existing director positions, based on the Annual Reports there are ten such positions across the councils with a combined remuneration of \$2.27 million based on the annual reports 2013/14. Assuming that the new entity has four director positions, the estimated savings are in the order of \$1.27 million.

It is important to note that while ongoing efficiencies of \$1.8 million have been identified effective from the short term, there is the one off cost of redundancies of approximately \$2.3 million that in our experience is a cost incurred during the transition period. This redundancy cost is based on 38 weeks.

1.3 Rationalisation of services

Under a single entity a number of the existing governance services would be duplicated and there would be an opportunity to investigate rationalising resourcing requirements for a single entity and realise efficiencies in the medium term.

As an example the councils currently have the resources necessary to support the democratic services and processes including council and committee agendas and minutes. Under a new entity there is likely to be a duplication of democratic resources and the new entity would need to determine the number of resources required to deliver this service.

Based on our previous experience one would expect resource efficiencies of between 40 and 60%. The reduction in resources is only likely to occur in the medium term due to the form of employment contracts, however having said that there is the potential not to replace positions vacated in the short term if they are considered to be duplicate positions under the new entity (natural attrition policy). The expected efficiencies relative to this area are realised in the Corporate Services Section.

2 Corporate services

In the formation of a new entity there is likely to be a reduction in staffing numbers across the corporate services in the medium term. The corporate services incorporates most of the organisational and corporate activities such as finance and accounting, human resources, communication, information technology, legal services, procurement, risk management, and records and archive management. Across the councils there is likely to be some element of duplication so there should be efficiency opportunities as it relates to administrative processes and staffing levels.

The potential opportunities for efficiency within the corporate services category are summarised in the table below along with the indicative timing of when the efficiency is likely to materialise.

	Staff	Duplicated Services	Contract/ Procurement	Information Technology	On Costs
Transition Period	Natural attrition (voluntary)	Finance ICT Communication			
Short Term (1 to 3 years)	Natural attrition (voluntary)	Human Resources Records Customer Services Risk Management			Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management (Tier 3) Natural attrition (voluntary)				Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)					

2.1 Rationalisation of duplicate services (\$900,000)

Consistent with the dis-establishment of three Councils and the creation of a single entity, there are a number of back office duplicated services that would be replaced, standardised and simplified. The rationalisation and streamlining of back office services means that there would an opportunity to rationalise financial reporting, business systems, administrative processes and staff numbers. A comparison of FTEs per head of population and FTE to service expenditure of NSW Councils also indicates the newly formed council would be higher than the average on both measures which confirms the need to reduce total FTE numbers.

Examples for the rationalisation of corporate services include:

- Finance - A reduction in finance service costs with the rationalisation of financial reporting and financial planning with a single, rather than separate Resourcing Strategies, Long Term Financial Plans, Asset Management Strategies, Workforce Management Plans, Annual Plans and Annual Reports needing to be prepared, consulted on and printed. In addition the centralisation of rates, accounts receivable, accounts payable and payroll, including finance systems will reduce resourcing requirements and costs.
- Human Resources (HR) – The size of the HR resource would be commensurate with the number of FTEs in the new entity based on industry benchmarks. The number of HR resources would be expected to reduce proportionately to the reduction in organisational staff numbers.

- Communications – The resourcing would be expected to reduce since there would be a single website and a more integrated approach to communication with less external reporting requirements.
- Customer Services – No reduction in the ‘front of house’ customer services has been assumed on the basis that all existing customer service centres would remain operative under a single entity and the existing levels of service would be retained. However there is potential to reduce the number of resources in the ‘back office’ such as the staffing of the call centre.

The potential efficiency in the corporate services category is difficult to determine largely due to the fact that ICT accounts for a large cost through the transition into the new entity both in terms of resources and actual cost. However it is expected that ICT would be implemented in the medium term and due to existing employment contracts, the corporate service efficiencies would therefore only be realised in the medium term. The starting point for the assumption underpinning the efficiency for corporate services was a 35%²⁶ reduction in corporate support personnel. A review of the organisational charts of the three councils means that in this case our view is that the opportunity for reductions in corporate is significantly less than the starting point and in the region of 15 – 20%. On costs are considered to be included as the figure used are based on total employee costs as reported by the councils.

There is the potential to reduce FTE numbers in the short term through not replacing positions vacated if they are considered to be duplicate positions through the transition and under the new entity (natural attrition policy). Following the end of the natural attrition period redundancies would be applied to reduce staffing levels to those outlined above.

In order to achieve the opportunities identified would require detailed scoping, investigation and ownership to ensure that they are implemented and realised post amalgamation. The development of a benefit realisation plan would quantify the cost of implementing any identified efficiencies and establish when such efficiencies are likely to accrue.

Redundancy costs have been modelled on an average of 26 weeks²⁷

3 Areas for further efficiency

Based on the experience from previous amalgamations in local government there are other areas where we would expect there to be opportunity to achieve efficiencies. These areas include management, staff turnover, procurement, business processes, property/accommodation, waste and works units.

²⁶ Securing Efficiencies from the Reorganisation of Local Governance in Auckland, Taylor Duigan Barry Ltd, October 2010

²⁷ The Local Government (State) Award provides a sliding scale for redundancy pay-outs from 0 for less than 1 year, 19 weeks for 5 years and 34 weeks for 10 years. An average of 26 weeks has therefore been used throughout the modelling.

	Staff	Duplicated Services	Contract/ Procurement	Information Technology	On Costs
Transition Period					
Short Term (1 to 3 years)	Staff Turnover	Property/ Accommodation, Works Units	Printing, stationary, ICT systems/ licences, legal	ICT Benefits	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Medium Term (3 to 5 years)	Streamlined Management (Tier 3 & 4)	ICT Resourcing	Waste	ICT Benefits	Staff Associated Costs e.g. HR, Accommodation, Computers, Vehicles
Long Term (5 years plus)					

3.1 Management tier 3 and 4 (\$2.2 million)

The Auckland amalgamation resulted in an FTE reduction of almost 60%² across the total Tier 1 through to Tier 4 positions. While Section 1 addresses the Tier 1 and Tier 2 efficiencies, there is further opportunity for efficiencies in regard to the Tier 3 and Tier 4 managerial positions although these would only be realised in the medium term.

The extent of efficiencies for Tier 3 and Tier 4 is directly dependent on the organisational structure of the new entity, types of services and the manner in which these services are to be delivered in the future, i.e. delivered internally or contracted out. On the basis that six councils are being disestablished and a single entity created, the assumption is that there will be at least a 10% reduction across the existing Tier 3 and Tier 4 positions achieving an ongoing efficiency of \$2.2 million on remuneration and on costs.

3.2 Staff Turnover (\$4.2 million)

The industry average turnover is approximately 9% and on the basis that the new entity adopts a 'natural attrition' policy not to fill positions in the short term, there is an estimated annual efficiency of \$4.2 million on staff remuneration.

3.3 ICT Benefits (\$7.8 million)

Without a full investigation into the current state of the three councils ICT infrastructure and systems, and without an understanding of the future state the ICT benefits cannot be quantified at this stage. However benefits would include improved customer experience, operational cost saving and reduced capital expenditure, higher quality of IT service and increased resilience of service provision. It is also necessary to model a value for the benefits to balance the costs that have been allowed for in the transition.

The operational cost savings and reduction of capital expenditure would be as a direct result of rationalising the number of IT systems, business applications, security and end user support from three councils to a single entity. The cost of IT and the number of staff resources required to

support it would be expected to decrease over time. FTEs are assumed to reduce by 40%²⁸ over time in line with reduced IT applications and systems. Without the ICT FTE remuneration for the three councils, the 40% efficiency is unable to be determined at this time.

Through the work undertaken as part of the Wellington reorganisation, Stimpson and Co have undertaken a sensitivity analysis on the ICT costs for two options and based on a ICT cost of \$90 million have estimated the Net Present Value at \$200 million and payback period of 5 years. Without a detailed investigation of systems, processes and the future state of the IT system and support it is not considered possible to model the benefits as arising at a similar rate however to retain consistency with the estimated costs and the basis for them benefits have been modelled as arising over the long term and a rate of \$7.8M per annum.

Sensitivity Analysis

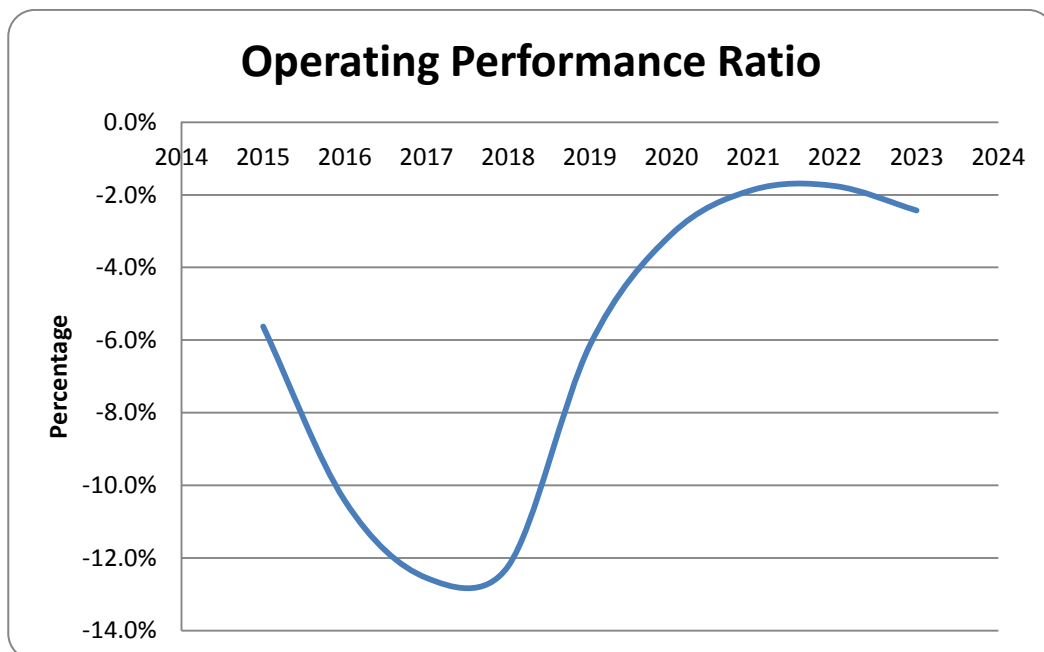
Due to the high level of uncertainty associated with the realisation of IT benefits one additional scenario has been modelled to demonstrate the overall impact on the financial sustainability of the IT benefits being realised.

The impact on the merged council is set out by reference to the Operating Performance Ratio and a summary of the Financial Impacts.

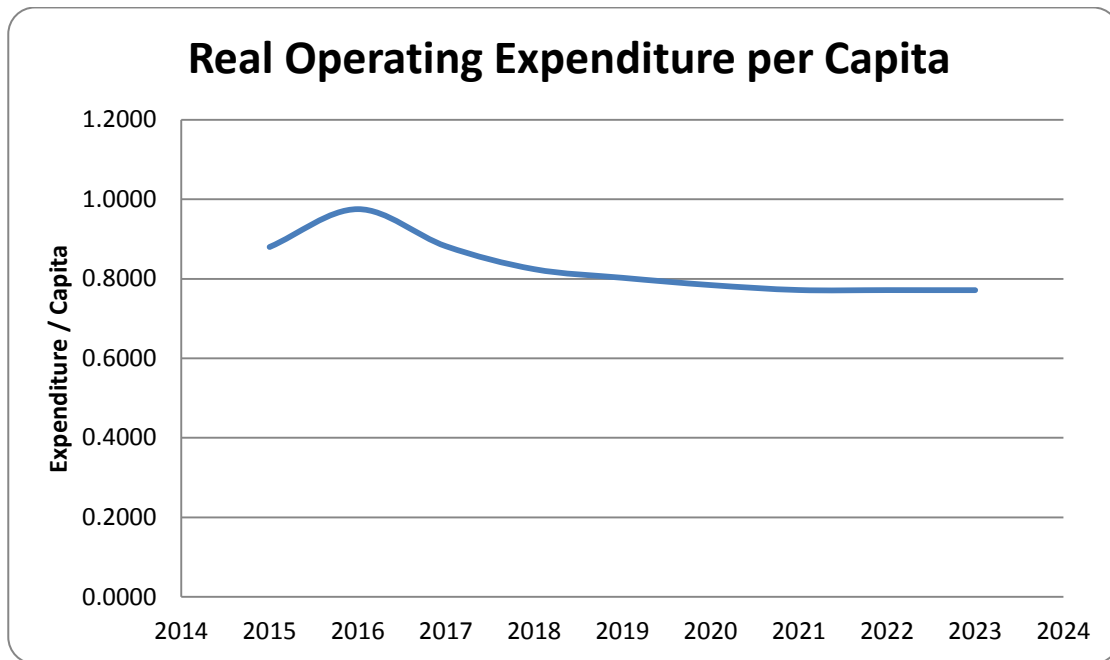
Benefits at 50%

Realising only 50% of the IT benefits affects the merged council's operating performance by further magnifying the poor operating result in the long term. It reduces the annual benefits by approximately \$4.2M per annum.

The impact of this is demonstrated by reference to the operating performance ratio, real operating expenditure per capita ratio and summary of the financial performance of the merged council.



²⁸ Report to the Local Government Commission on Potential Savings of a Range of Options for the Re-organisation of Local Government in the Wellington Region, Brian Smith Advisory Services Limited, November 2014



Selected Councils Combined LTFP - 2014/15 Extrapolated	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Operating Results											
Income Statement											
Source: Council Financial Statements and Long Term Financial Plan											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Rates & Annual Charges	138,647	146,705	150,937	155,465	160,129	164,933	171,491	176,636	181,935	187,393	193,015
User Fees & Charges	33,801	35,704	34,717	35,840	36,998	38,195	39,430	40,704	42,021	43,379	44,782
Grants & Contributions - Operations	20,466	16,213	18,314	18,017	18,432	18,855	19,289	19,733	20,187	20,651	21,126
Grants & Contributions for Capital	22,413	38,857	14,018	13,791	14,108	14,432	14,764	15,104	15,451	15,807	16,170
Interest and Investment Income	8,583	8,210	7,240	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150
Gains from disposal assets	40	378	149	147	150	153	23,757	703	720	736	753
Other Income	15,065	18,140	21,932	21,576	22,073	22,580	23,100	23,631	24,175	24,731	25,299
Total Income	239,015	264,207	247,307	247,985	255,039	262,299	294,980	279,661	287,637	295,846	304,295
Income excl Gains\losses	238,975	263,829	247,158	247,839	254,889	262,145	271,223	278,958	286,917	295,110	303,542
Income excl Gains\losses & Capital Grants	216,562	224,972	233,140	234,048	240,781	247,713	256,459	263,854	271,466	279,303	287,371
Expenses											
Borrowing Costs	1,691	1,704	1,504	1,498	1,464	1,427	1,390	1,346	1,308	1,260	1,209
Employee Benefits	99,983	104,915	110,350	107,432	106,357	105,294	106,742	112,613	118,807	125,341	132,235
Gains & losses on disposal	192	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortisation	36,605	31,986	35,191	37,026	38,506	39,790	41,073	42,398	43,768	45,183	46,643
All other Expenses	93,782	96,052	98,874	137,781	120,837	113,462	114,364	111,809	110,891	114,218	117,644
Total Expenses	232,253	234,657	245,919	283,737	267,165	259,973	263,569	268,166	274,774	286,002	297,732
Operating Result	6,762	29,550	1,388	- 35,752	- 12,125	2,326	31,411	11,495	12,863	9,844	6,563
Operating Result before grants & contributions for capital purposes	- 15,651	- 9,307	- 12,630	- 49,543	- 26,233	- 12,106	16,647	- 3,609	- 2,589	- 5,963	- 9,607

3.4 Materials and contracts (\$1.3 – \$2 million)

The opportunity for efficiencies in procurement is created through the consolidation of buying power and the ability to formalise and manage supplier relationships more effectively when moving from six councils to one. An estimate needs to take into account that the councils currently engage in some collective procurement including through SSROC shared and panel contracts but that the process also identified a large number of services contracted out by the councils which are not aligned or co-ordinated.

The increased scale and size of the infrastructure networks managed by the airport council would in our view lead to opportunities to reduce operational expenditure through making better strategic decisions (as distinct from savings arising from procurement).

Based on the analysis during the project and our experience the combined savings have been modelled in the short term at 3% and rising to 5% over the medium and longer term.

3.5 Properties (\$19.4 million – one off)

There is an opportunity to rationalise and consolidate the property portfolio through assessing the property needs of the new entity and disposing of those properties no longer required for Council purposes. The rationalisation of buildings in the first instance is likely to be corporate accommodation associated with the reduction in staff, other obvious areas would include the work depots (refer to Section 3.7).

The councils have a combined buildings portfolio of over \$388M and for the purposes of modelling the merged council it is assumed that the council would dispose of 5% of the building assets in the medium term. In the longer term savings in properties are achievable but should be carried out in a more strategic manner across the combined entity.

3.6 Waste (\$2.3 million)

The three councils currently provide their waste collection services through different delivery models. The City of Botany Bay and Marrickville undertake waste collection services in-house whereas Rockdale is part of a regional collection contract with Kogarah and Hurstville councils.

Waste collection is a high profile service and in our experience the service can be delivered at a lower cost under contract. Recent examples in metropolitan Sydney have demonstrated the scale of savings available by moving to collective contracts. The combined St George Council waste and recycling contract has generated savings in the order of \$4.6M per annum²⁹ from a similar population base to the three councils (230,000).

It is assumed that the merged council will move to outsource the waste & recycling function under a single collection contract over time.

Savings have been modelled from moving to a single collection contract noting that there would be no savings arising from the aspect of the service currently delivered to Rockdale residents. Savings arising from moving to outsourcing the waste have, in the absence of detailed analysis of each councils service costs, been modelled using the differences between the respective councils domestic waste charges³⁰. In this case the approach is considered reasonable as the

²⁹ St George Regional Collection Contract, Presentation to Waste 2014 Conference, Major Projects Guidance for Local Government by Maddocks and Ernst and Young

³⁰ Financial Statements of each council

councils have a similar level of service (albeit that Botany has a slightly higher service) and the domestic waste charge is considered to reliably include all operational costs. The saving arising from outsourcing the collection services is assumed to be 60% of the difference between the average domestic waste charge of the councils who outsource all waste collection services and the current total domestic waste charge.

Redundancy costs have been modelled in for all works staff identifiable as providing waste services based on an average of 26 weeks with an assumption on the number of affected staff at the City of Botany Bay made based on the relative proportion of staff involved in waste services in the other councils.

Waste services are funded through the waste charge which covers all operational expenditure on waste services. A reduction in the cost of the waste collection services therefore leads to a reduction in the waste charge and reduced income for the councils. It is assumed that 70% of the savings achieved are passed through in a reduced waste charge.

3.7 Works units

Staff (\$6.6 million)

Based on our experience of reviewing a large number of works units across NSW we have found significant savings in all organisations that we have reviewed. As such it is reasonable to assume that a reduction in staff in the order of 20% across the works areas will be easily achieved in the medium term to reflect the duplication of services across the depots.

Redundancy costs have been modelled in for all works staff based on an average of 26 weeks with an assumption on the number of affected staff at the City of Botany Bay based on proportion of staff affected in the other councils.

Following the end of the natural attrition period redundancies would be applied to reduce staffing levels to those identified above.

Plant and Fleet (\$4.2 million – one off)

Based on our experience of reviewing a large number of works units across NSW most councils as are have significantly more plant and equipment than reasonably required to undertake it day to day functions. As such it is reasonable to assume that a reduction in plant and fleet in the order of 20% would be achievable should there be an amalgamation of councils.

4 Services and Service Levels (\$2 million)

Typically merged councils see an increase in staff associated with rises in services and service levels. Research conducted for the Independent Review Panel noted that each of the councils involved in the 2004 NSW mergers had more staff after the merger than the combined councils together³¹ and an average over the period of 2002/3 to 2010/11 of 11.7%.

An allowance has been made for a 2% increase in staff from year 4 onwards (i.e. after the period of natural attrition).

³¹ Assessing processes and outcomes of the 2004 Local Government Boundary Changes in NSW, Jeff Tate Consulting

5 Transition costs

The formation of the new entity from the current state of three Councils to one will require a transition to ensure that the new entity is able to function on Day 1. This section identifies tasks to be undertaken and estimates transitional costs that are benchmarked against the Auckland Transition Agency (ATA) results and the costs as estimated by Stimpson & Co.³² for the proposed Wellington reorganisation.

In the transition to an amalgamated entity there are a number of tasks that need to be undertaken to ensure that the new entity is able to function from Day 1 with minimal disruption to customers and staff. The types of tasks and objectives are summarised in the table below:

Governance	<ul style="list-style-type: none"> • Developing democratic structures (council committees) • Establishing the systems and processes to service and support the democratic structure • Developing the governance procedures and corporate policy and procedures underlying elected member and staff delegations • Developing the organisational structure of the new organisation
Workforce	<ul style="list-style-type: none"> • Developing the workforce-related change management process including new employment contracts, location and harmonisation of wages • Establishing the Human Resource capacity for the new entity and ensuring all policies, processes and systems are in place for Day 1 • Ensuring that positions required
Finance and Treasury	<ul style="list-style-type: none"> • Ensuring that the new entity is able to generate the revenue it needs to operate • Ensuring that the new entity is able to satisfy any borrowing requirements • Ensuring the new entity is able to procure goods and services • Developing a methodology for interim rates billing and a strategy for rates harmonisation • Developing a plan for continued statutory and management reporting requirements • Developing a financial framework that complies with legislative requirements
Business Process	<ul style="list-style-type: none"> • Planning and managing the integration and harmonisation of business processes and systems for Day 1 including customer call centres, financial systems, telephony systems, office infrastructure and software, payroll, consent processing etc. • Developing an initial ICT strategy to support the Day 1 operating environment that includes the identification of those processes and systems that require change • Developing a longer term ICT strategy that provides a roadmap for the future integration and harmonisation of business processes and systems beyond Day 1
Communications	<ul style="list-style-type: none"> • Ensuring that appropriate communication strategies and processes are in place for the new entity • Developing a communication plan for the transition period that identifies the approach to internal and external communication to ensure that staff and customers are kept informed during the transition period
Legal	<ul style="list-style-type: none"> • Ensuring any legal risks are identified and managed for the new entity • Ensuring that existing assets, contracts etc. are transferred to the new entity • Ensuring all litigation, claims and liabilities relevant to the new entity are identified and managed

³² Report to Local Government Commission on Wellington Reorganisation Transition Costs, Stimpson & Co., 28 November 2014

Property and Assets	<ul style="list-style-type: none"> Ensuring that all property, assets and facilities are retained by the new entity and are appropriately managed and maintained Ensuring the ongoing delivery of property related and asset maintenance services are not adversely impacted on by the reorganisation Facilitating the relocation of staff accommodation requirements as required for Day 1
Planning Services	<ul style="list-style-type: none"> Ensuring the new entity is able to meet its statutory planning obligations from Day 1 and beyond Ensuring that the entity is able to operate efficiently and staff and customers understand the planning environment from Day 1 Developing a plan to address the statutory planning requirements beyond Day 1
Regulatory Services	<ul style="list-style-type: none"> Ensuring that Day 1 regulatory requirements and processes including consenting, licensing and enforcement activities under statute are in place Ensuring that business as usual is able to continue with minimum impact to customers from Day 1 and beyond
Customer Services	<ul style="list-style-type: none"> Ensuring no reduction of the customer interaction element – either face to face, by phone, e-mail or in writing from Day 1 and beyond Ensuring no customer service system failures on Day 1 and beyond Ensuring that staff and customers are well informed for Day 1 and beyond
Community Services	<ul style="list-style-type: none"> Ensuring that the new entity continues to provide community services and facilities Ensuring that current community service grant and funding recipients have certainty of funding during the short term

Note - This is not an exhaustive list but provides an indication of the type of work that needs to be undertaken during the transition period.

The transition costs are those costs incurred, during the period of transition, to enable the establishment of the new entity and to ensure that it is able to function on Day 1. The estimated transition costs for establishment of a new entity are discussed below.

5.1 Transition body (\$10 million)

In the case of Auckland, the ATA was established to undertake the transition from nine councils to one entity. In order to undertake the transition the ATA employed staff and contractors and it had other operational costs such as rented accommodation, ICT and communications. The cost of the ATA in 2009 was reported at \$36 million and it is important to note that a substantial number of staff were seconded to the ATA from the existing councils to assist with undertaking the transition tasks. The cost of these secondments and support costs was at the cost of the existing councils and not the ATA.

The work undertaken for the reorganisation of Wellington identified the cost of the transition body as \$20.6 million⁴ and on the assumption of FTEs to transition body costs for Wellington, the estimated cost of the transition body for the airport councils is \$10 million. This figure may be understated and is dependent on the governance structure adopted and other unknown factors that may influence the cost of the transition body. The cost of staff secondment and support costs from existing councils to the transition body is not included in the cost estimate.

5.2 ICT (\$45 to \$66 million)

The costs associated with ICT for the new entity relate to rationalising the existing councils ICT infrastructure, business applications, security and end user support for the single entity. The full rationalisation of IT systems based on other amalgamation experience will not occur for Day 1 of the new entity and could take anywhere between 3 to 5 years to finalise depending on the complexities of the preferred system. However there are some critical aspects for the new entity to function on Day 1 including the ability to make and receive payments, procurement and manage staff so there are ICT costs incurred during the transition.

Estimating the costs for ICT is inherently difficult due to the complexities associated with integrating systems and applications, and not knowing what the new entity may decide on as a future system. With the limited time to undertake this report the ICT costs have thus been based on the proposed Wellington reorganisation and tested against other potential merges of different sizes. A number of ICT scenarios were explored by Deloitte³³ for Wellington and the WNTA scenario most closely resembles the airport situation. Scaling these costs based on the size of the airport council mergers provides an estimated ICT cost of between \$45 million and \$66 million. The estimated cost are spread across the initial years of the councils operations with the majority falling in the first two years.

Given the respective size of the councils and the populations they serve in the context of the studies cited it is considered that the most likely costs are at the lower end of the scale, \$55 million.

5.3 Business Process (existing Council budget)

As part of ensuring the entity is functional on Day 1 is the requirement to redesign the business processes of the existing councils to one that integrates with the ICT systems. This would include the likes of consents, licensing and forms to replace that of the six existing councils. In the case of Auckland these tasks were largely undertaken by staff seconded to the transition body, the cost of which was not identified as it was a cost picked up by the nine existing councils.

5.4 Branding (\$1.5 million)

The new entity will require its own branding and as part of this a new logo will need to be designed. Once agreed there will be a need to replace the existing signage of the six councils for Day 1 of the new entity on buildings, facilities and vehicles. In addition it will be necessary to replace the existing staff uniforms, letterheads, brochures, forms and other items. The estimated cost for branding is \$1.5 million based on other amalgamation experience.

5.5 Redundancy Costs (\$1.8 million)

Through the transition period the Tier 1 and Tier 2 positions would be made redundant and based on employment contracts with a redundancy period of 38 weeks, the one off cost of redundancies is estimated at \$1.8 million based on the Councils' respective Annual Reports 2013/14.

5.6 Remuneration Harmonisation (\$1.2 million)

The remuneration, terms and conditions for staff would need to be reviewed as part of the transition as there is currently a variation in pay rates and conditions across the three councils. In

³³ Wellington Local Government Reorganisation Options – Transition Costs and Benefits for Technology Changes, Deloitte, September 2014

order to estimate the cost of wage parity for moving to a single entity, the average employee costs for Sutherland Shire Council have been compared to that of the Airport Councils combined as well as between the three councils.

5.7 Elections (\$0 million)

There is a possibility of proportional savings in existing council budgets as instead of six separate elections there will be one for the new entity. However the costs of the election are likely to be higher than for future elections as there will need to be additional communication and information provided to voters to inform them of the new arrangements. The costs will also be dependent on the future governance structure, as was the case in the Auckland amalgamation the election costs were more than the budgeted amounts from the previous councils. For the purposes of the transition costs, no additional budget has been allowed for assuming there is sufficient budget in the three councils.

APPENDIX D High Level Comparison of Services and Service Levels

Governance	Rockdale	City of Botany Bay	Marrickville
Number of Councillors	15	7	12
Population per Councillor	7,114	6,185	6,807
Ratepayers			
No. Equivalent Full Time Employees	340	329	523
Population per Staff Member	309	128	156
Total Cost of Services	Rockdale	City of Botany Bay	Marrickville
Total cost of services (\$000)	\$82,867	\$56,700	\$ 94,496
Cost of services per resident	\$788	\$1,340	\$ 1,157
Solid Waste Management	Rockdale	City of Botany Bay	Marrickville
Average domestic charge	\$ 408	\$ 448	\$ 487.6
Total domestic waste diversion rate	54	38	41
Household clean-ups	4 per annum	4 – 2 scheduled, 2 on demand	On demand
General waste	Weekly	Weekly	Weekly
Delivery Model	Outsource (regional)	Day Labour	Day Labour
Green waste	In with general waste – co-mingled AWT	Weekly	Fortnightly
Recycling	Fortnightly (alternate)	Weekly	Fortnightly (alternate)

Public Amenity	Rockdale	City of Botany Bay	Marrickville
Street sweeping frequency	Fortnightly	Service Standards	5 weekly
Town centres	Daily	“on par”	Daily
Graffiti response	72 hours if offensive	Service Standards	2-12 weeks (hierarchy), 2 days for offensive
Verge mowing	Pensioner service only	Yes plus pensioner service	Yes
Frequency	Approx 50-100	6-8 weeks	5 weekly
Parks and Sports Fields	Rockdale	City of Botany Bay	Marrickville
Open space (ha/’000)	3.5	2.2	1.4
Mow – summer	Fortnightly	As per service standards	Fortnightly
Mow - winter	Monthly	“	Monthly
Number of sports grounds	23	7	10
Golf courses	2.5 x 18 holes (0.5 in Kogarah). Managed by club	1 x 9 holes. Managed in-house	1 x 18 holes. Managed by club
Foreshore	Rockdale	City of Botany Bay	Marrickville
Beach	8km	Foreshore Beach, no care and control, most in Ports responsibility	N/A
Marine structures	Boat ramp, 2 pontoons, 6 swimming enclosures	0	1 jetty

Community Services	Rockdale	City of Botany Bay	Marrickville
Community transport	Community bus, can be hired	Community bus, own programs	Community bus, own programs
Services outside LGA	Minor commercial kitchen	Family Day Care	Meals on Wheels
Childrens' Services	Rockdale	City of Botany Bay	Marrickville
Child care centres	7	2	6
Management model	External	In-house	In-house
Other services	1 BASC facility	2 BASC facilities, Family Day Care, Community pre-school (board)	5 BASC facilities, Family Day Care, 1 preschool, mobile playgroup
Library Services	Rockdale	City of Botany Bay	Marrickville
Number of libraries	6	2	4
Circulation	5.56	3.88	5.88
Home Library Services	Yes	Yes	Yes
Notes	<ul style="list-style-type: none"> Number of libraries is not reflective of size, which vary across the councils from very small to large central libraries. Two are in planning/development phases that will meet State Library floor size benchmarks 		
Community Centres, Halls and Venues	Rockdale	City of Botany Bay	Marrickville
Halls	2	3	5
Venues	10	1	?
Community centres	?	1	?
Museums	1	1	1
Notes	<ul style="list-style-type: none"> Each council had a slightly different idea of which facilities are classed as halls, venues and community centres. Whilst some consensus was attempted, this data should be used cautiously for comparison purposes 		

Aquatic Centres	Rockdale	City of Botany Bay	Marrickville
Aquatic centres	1	1	2
Management model	Currently closed for renovations. Previously managed externally.	In-house	External
Development Applications	Rockdale	City of Botany Bay	Marrickville
Number of development applications determined	361	138	578
Mean gross days for development applications	98	129	72
DAs per existing dwelling	1.08%	.93%	1.80%
13/14 Data - Determined	No. 394 \$343.12m	No. 135 \$613.25m	No. 596 \$406.74m
Service Delivery Models	Rockdale	City of Botany Bay	Marrickville
Roads Construction	Mostly contract, some in-house	Some outsourced	Rigid pavements in-house
Roads Maintenance	Combination	In-house (not restorations)	Combination
Footpath Construction	Self	Combination	Contract
Footpath Maintenance	Self	In-house	Combination
Drainage	Combination (cleaning in, major jobs contract/ in)	Combination	Combination (cleaning in, major jobs contract)
Buildings Maintenance	Mostly contract	Combination, where in-house trades	Combination, some in-house trades
Parks	Internal, upgrades (sofffall, play equipment external)	Internal, upgrades (sofffall, play equipment external)	Internal, upgrades (sofffall, play equipment external)
Public Toilets	Combination, 90% contract	In-house	In-house, major buildings contract

Fleet	In-house except dealer servicing	In-house except dealer servicing, heavy fleet in	In-house except dealer servicing
Animal Control	In-house collection, outsource pound	In-house collection, outsource pound	In-house collection, outsource pound
Security/CCTV	Security contract, CCTV for council asset protection and public safety	Combination, limited CCTV not monitored	Mostly contract
Internal audit	Combination, 1 in-house resource	In-house	SSROC contract
Legal services	External	External	In-house
IT support	In-house	In-house	In-house
Bus shelters	Combination own maintenance and thru Adshel	In-house	Combination own maintenance and thru Adshel
Bushcare			Combination volunteer and contract

Note

1. The purpose of this matrix is to provide a comparison of those services and activities which are different or only provided by some of the participating councils. Where the services and/or service levels are the same (or essentially the same) they have been excluded.

APPENDIX E Capacity

Key Elements of Strategic Capacity	2 Council Mergers	Rockdale/Marrickville	Airport Council
More robust revenue base and increased discretionary spending	No	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change
<i>Rationale</i>	Revenue base increased to 120,000 - \$150,000	Revenue base increased to 180,000 (now)	Revenue base increased to 220,000
Scope to undertake new functions and major projects	No	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change
<i>Rationale</i>	Mergers do not significantly increase a council's financial or human resources	Better able to prioritise and undertake regionally significant projects intellectually, financially and resource wise	Better able to prioritise and undertake regionally significant projects intellectually, financially and resource wise
Ability to employ wider range of skilled staff	No	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change
<i>Rationale</i>		Larger council has capacity to employ (and contract) more specialist staff	Larger council has capacity to employ (and contract) more specialist staff
Knowledge, creativity and innovation	No	Yes	Yes
<i>Degree of Change</i>	No change	No change	No change
<i>Rationale</i>	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan Sydney and an increase scale makes little or no difference	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan Sydney and an increase scale makes little or no difference	Knowledge, creativity and innovation are a function of the organisational culture. Particularly in metropolitan Sydney and an increase scale makes little or no difference
Effective regional collaboration	No	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change (positive and negative)	Significant Change
<i>Rationale</i>	Region remains fragmented, responsible for council areas around airport crosses LGA boundaries.	Region remains fragmented and responsibility for airport still crosses LGA boundaries. Council crosses sub-regional planning boundaries and other service delivery boundaries	Single council responsible for council areas around airport. However, lies across sub-regional planning boundaries and other service delivery boundaries

Key Elements of Strategic Capacity	2 Council Mergers	Rockdale/Marrickville	Airport Council
Credibility for more effective advocacy	No	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant Change
<i>Rationale</i>	Region remains fragmented with small councils advocating for individual interests	Region remains fragmented, responsibility for airport still crosses LGA boundaries and has differing social and economic interests.	Single council responsible for council areas around airport. However, lies across sub-regional planning boundaries and other service delivery boundaries
Capable Partner for State and Federal Agencies	No	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change (positive and negative)	Significant Change (positive and negative)
<i>Rationale</i>	Region remains fragmented requiring multiple relationships for state and federal agencies	Region remains fragmented and responsibility for airport still crosses LGA boundaries. Council crosses sub-regional planning boundaries and other service delivery boundaries requiring multiple relationships for state and federal agencies	Single council responsible for council areas around airport. However, lies across sub-regional planning boundaries and other service delivery boundaries requiring multiple relationships for state and federal agencies
Resources to Cope with complex and unexpected change	No	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Significant change
<i>Rationale</i>	No significant financial improvements or changes in resources from mergers	Large council with large financial capacity to meet challenges intellectually, financially and resource wise	Large council with large financial capacity to meet challenges intellectually, financially and resource wise
High Quality political and managerial leadership	No	Yes	Yes
<i>Degree of Change</i>	No change	Moderate change	Moderate change
	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff.</p> <p>A merger between 2 councils only is unlikely to change this situation from the status quo</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff.</p> <p>A merger between 2 councils only is unlikely to change this situation from the status quo</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>	<p>The quality of managerial leadership can be influenced by a management structure and remuneration that attracts and retains the highest calibre of executive staff.</p> <p>A merger of 3 councils increases the management group and remuneration capacity</p> <p>The quality of political leadership is in the hands of the electorate and it is arguable that a larger entity or representative focus necessarily equates to “quality”.</p>

APPENDIX F Comparison of the Approach to the Natural and Built Environment of the three airport councils

The following is based on overarching LEP plan aims as an indication of:

- protection of the natural environment
- protection the built environment and built heritage
- general approach to growth and development

	Natural	Built	Approach to Growth
Botany Bay (Botany Bay LEP 2013)	<p>The particular aims of the LEP which relate to the protection of the natural environment are:</p> <ul style="list-style-type: none"> • to identify and conserve those items and localities that contribute to the environmental heritage of Botany Bay • to protect and enhance the natural landscapes in Botany Bay <p>Reflects developed nature of LGA but with significant natural and recreational assets</p>	<p>The particular aims of the LEP which relate to the protection of built heritage are:</p> <ul style="list-style-type: none"> • to identify and conserve those items and localities that contribute to the local built form and the cultural heritage of Botany Bay • to create a highly liveable urban place through the promotion of design excellence in all elements of the built environment and public domain <p>Reflects period in which major development occurred in the LGA and the desire to promote future high quality development</p>	<p>Emphasises role of Botany Council in supporting economic significance of Kingsford Smith Airport and Port Botany. Aims include</p> <ul style="list-style-type: none"> • to recognise the importance of Botany Bay as a gateway to Sydney, given its proximity to Sydney (Kingsford Smith) Airport and Port Botany • to encourage sustainable economic growth and development • to provide direction concerning growth and change in Botany Bay
Botany Bay (State Environmental Planning Policy [Three Ports])			<p>Specifically designed to facilitate future development and operation of Port Botany in context of future operation of Sydney Airport. Aims include:</p> <ul style="list-style-type: none"> • to provide a consistent planning regime for the development and delivery of infrastructure on land in Port Botany • to allow the efficient development, re-development and protection of land at Port Botany... for port purposes • to specify matters to be considered in determining whether to grant consent to development adjacent to development for port purposes • to provide for development at Port Botany that does not, by its nature or scale, constitute an actual or potential obstruction or hazard to aircraft
Marrickville	The particular aims of the LEP which relate to the	The particular aims of the LEP which relate to the	Emphasis on encouraging transport oriented, quality

	Natural	Built	Approach to Growth
	<p>protection of the natural environment are to:</p> <ul style="list-style-type: none"> to ensure development applies the principles of ecologically sustainable development to promote sustainable transport, reduce car use and increase use of public transport, walking and cycling 	<p>protection of the natural environment are to:</p> <ul style="list-style-type: none"> to identify and conserve the environmental and cultural heritage of Marrickville 	<p>compact development:</p> <ul style="list-style-type: none"> to support the efficient use of land, vitalisation of centres, integration of transport and land use and an appropriate mix of uses to increase residential and employment densities in appropriate locations near public transport while protecting residential amenity to protect existing industrial land and facilitate new business and employment to promote sustainable transport, reduce car use and increase use of public transport, walking and cycling <p>Also some emphasis on housing type and mix and affordability:</p> <ul style="list-style-type: none"> to promote accessible and diverse housing types including the provision and retention of affordable housing
<p>Rockdale (Rockdale 2011) LEP</p>	<p>The particular aims of the LEP which relate to the protection of the natural environment are:</p> <ul style="list-style-type: none"> to conserve the environmental heritage of Rockdale to promote and enhance Rockdale’s foreshores to minimise impacts on land subject to environmental hazards, particularly flooding <p>Reflects location of LGA on shores of Botany Bay and immediate tributaries</p>	<p>The particular aims of the LEP which relate to the protection of built heritage are:</p> <ul style="list-style-type: none"> to maintain and improve residential amenity and encourage a diversity of housing to meet the needs of Rockdale residents <p>Over 200 items in Heritage Schedule but importance not reflected in aims of LEP</p>	<p>Notes importance of Transit Oriented Development but planning for growth is not a key feature of the LEP aims.</p> <p>Aims include:</p> <ul style="list-style-type: none"> to maintain and improve residential amenity and encourage a diversity of housing to meet the needs of Rockdale residents to promote economic activity within Rockdale through the facilitation of commercial, employment-generating and tourism opportunities to encourage residential and employment densities around transport nodes in order to provide sustainable transport options

A review of the Metropolitan Strategy *A Plan for Growing Sydney; December 2014* was also undertaken to better understand the strategic drivers for each council.

METROPOLITAN PLANNING RELATING TO AIRPORT COUNCILS

Botany Bay and Marrickville Councils have been located in the Central Subregion as part of the latest State Government Strategic Plan for Sydney (*A Plan for Growing Sydney; December 2014*). Rockdale Council has been located in the South Subregion under the same plan. Structure Plans for those two Subregions are shown below (Figures 27 and 32 extracted from the Plan).

Central Subregion

Both Botany Bay and Marrickville Councils are shown as part of the Global Economic Corridor. However, the Plan does not set out any specific priorities relating to the two Council areas beyond

“[preparing and delivering] a Structure Plan for the Sydney Airport and Port Botany precincts to support their growth” (p108)

This aim is supported by designation of the two precincts as “Transport Gateways” in the plan (see Figure 27)
The Plan sets out the following priorities for the two Transport Gateways (p113):

PRIORITIES FOR TRANSPORT GATEWAYS

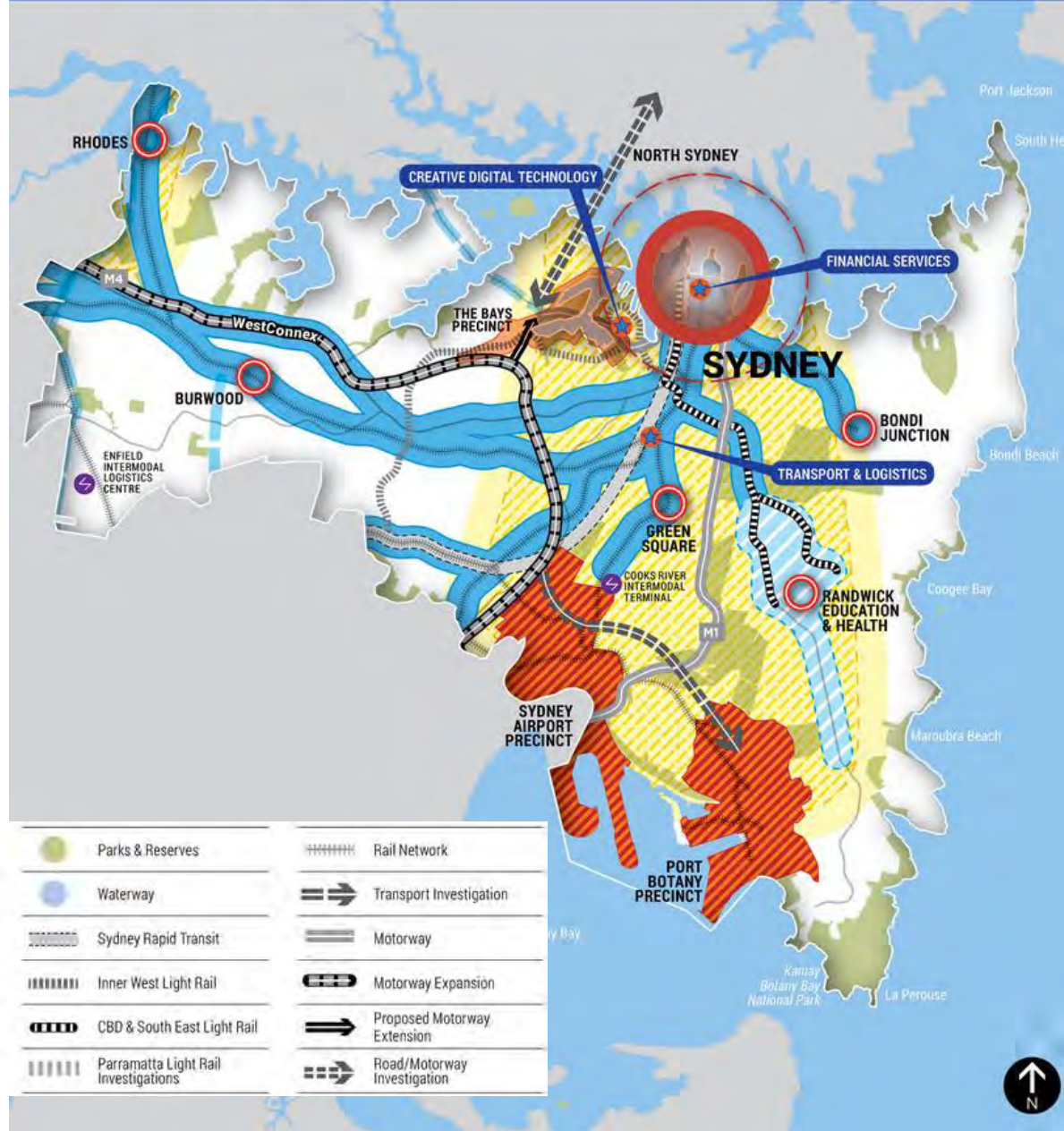
Sydney Airport Precinct

- Identify and protect strategically important industrial-zoned land in and near Sydney Airport Precinct.
- Protect Sydney Airport’s function as an international gateway for passengers and freight, and support airport-related land uses and infrastructure in the area around the Airport.
- Facilitate road planning to connect Sydney Airport to WestConnex.

Port Botany Precinct

- Identify and protect strategically important industrial zoned land in and near Port Botany Precinct.
- Protect Port Botany’s function as an international gateway for freight and support port-related land uses and infrastructure in the area around the port.
- Support the land use needs of freight movement to increase the proportion of container freight transported by rail.
- Investigate a corridor for an enhanced road link from Port Botany to WestConnex.

FIGURE 27: Central Subregion



	CBD		Global Economic Corridor		Parks & Reserves		Rail Network
	Strategic Centre		Priority Precinct		Waterway		Transport Investigation
	Intermodal Terminal		Urban Renewal Corridor		Sydney Rapid Transit		Motorway
	Knowledge Hub		Local renewal opportunities yet to be identified		Inner West Light Rail		Motorway Expansion
	Transport Gateway		Urban Renewal Investigation		CBD & South East Light Rail		Proposed Motorway Extension
	The Bays Precinct		Metropolitan Urban Area		Parramatta Light Rail Investigations		Road/Motorway Investigation

South Subregion

Mapping in the Plan indicates that the Global Economic Corridor does not extend into Rockdale LGA.

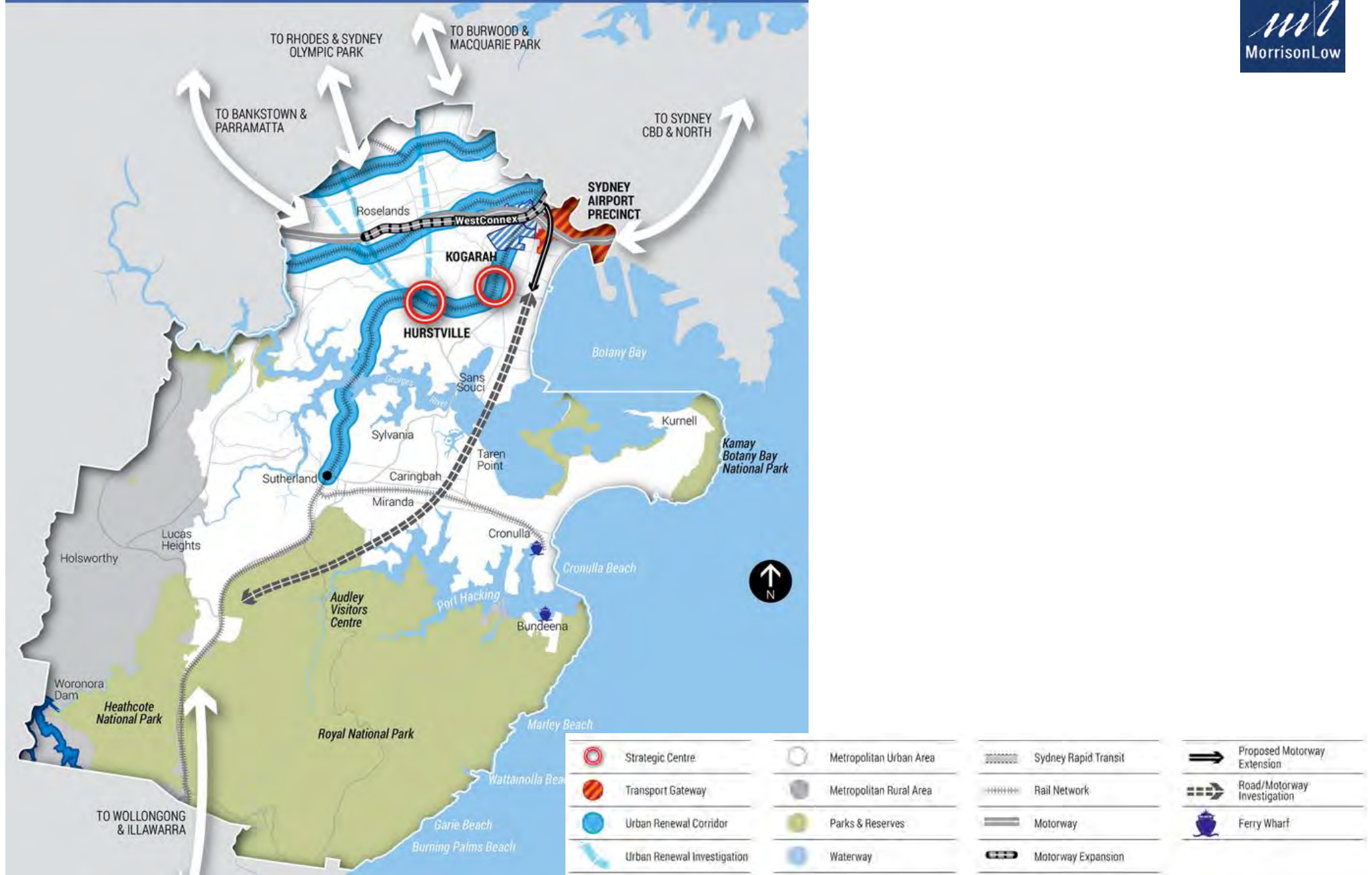
Mapping indicates that the Sydney Airport Precinct extends into the north east of the LGA (see Figure 32). As such, it should be assumed that the Structure Planning proposed for the Airport Precinct in the Central Subregion commentary will include this area, despite not being explicitly stated in the Plan.

Major economic drivers for the Subregion are largely seen as external to the Subregion (Global Corridor, Sydney Airport, Port Botany and the Illawarra (p132) with priorities for the Subregional economy including (p132)

- Facilitate good employment and transport connections and an efficient freight network to Sydney Airport and Port Botany
- Investigate pinch-points associated with growth in the vicinity of Sydney Airport and Port Botany
- Identify and protect strategically important industrial-zoned land

The Plan appears to show a “Priority Precinct” for major urban renewal in the Wolli Creek area in Rockdale LGA but no further commentary is offered in the Plan on the potential role of this precinct.

FIGURE 32: South Subregion



Comparison

In this vicinity, Metropolitan Planning proposals concentrate on the future of Sydney Airport and Port Botany.

The most significant implications for broad scale land use impacts are foreshadowed for the Botany Bay and Marrickville LGAs as structure planning proceeds for the future of the two Transport Gateways. Implications for the Rockdale LGA appear to centre around the transport impacts of Gateway expansion, particularly relating to Sydney Airport growth.

Notwithstanding the different emphases in the Plan, the future of the Rockdale LGA appears inextricably linked to broader planning outcomes associated with Transport Gateway development. This would not only imply a need to review local planning in Rockdale to accommodate these influences but also that, in the Metropolitan context, the future of Rockdale LGA has more in common with areas in the Sydney Central Subregion to the north, such as Botany Bay and Marrickville, than the other Councils located in the South Subregion.

APPENDIX G Comparison of community strategic plans of the three airport councils

Council	Vision	Broader Themes
Botany Bay	<ul style="list-style-type: none"> • An inclusive community • A liveable city • A city of natural beauty • A place to be proud of • A city built on trust and community engagement 	<ul style="list-style-type: none"> • Leadership: We are inspired by a shared vision, lead by example and encourage and support others to do the same • Collaboration: We are committed to working collaboratively across the whole organisation for the common good of the Council and the community we serve • Customer Service: We are committed to understanding and responding to customers' needs • Accountability: We hold ourselves accountable for our actions, celebrate our success and learn from our mistakes • Integrity: We are committed to acting ethically, fairly, selflessly, impartially, honestly and with Integrity in everything we do • Communication: We are committed to communicating openly, transparently and clearly • Excellence: We will strive for excellence in all that we do Innovation We value innovation, initiative, resourcefulness and creativity
Marrickville	<p>Marrickville Council's vision for 2023 is for:</p> <ul style="list-style-type: none"> • A culturally diverse, forward thinking, inner city communities and neighbourhoods. • A community that remains welcoming, proud of its diversity and its history. • A place where businesses are confident and responsive to the needs of the local community. Is a creative community. • A place that values the people who celebrate, challenge and inspire local identity and sense of place. • The environment is healthy and native plants and animals are thriving. • Local communities work closely with Council, which is ethical, effective and accountable. 	<ul style="list-style-type: none"> • A diverse community that is socially just, educated, safe and healthy • A creative and cultural Marrickville • A vibrant economy and well planned, sustainable urban environment and infrastructure • Effective, consultative and representative council

Council	Vision	Broader Themes
Rockdale	<ul style="list-style-type: none"> One Community, Many Cultures, endless Opportunity 	<ul style="list-style-type: none"> Rockdale is a welcoming and creative City with active, healthy and safe communities. Rockdale is a City with a high quality natural and built environment and valued heritage in liveable neighbourhoods. A City that is easy to get around and has good links and connections to other parts of Sydney and beyond. Rockdale is a City with a thriving economy that provides jobs for local people and opportunities for lifelong learning. Rockdale is a City with engaged communities, effective leadership and access to decision making.

APPENDIX H Detailed Community Profile



The Communities of the Airport

February 2015

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	SUMMARY OF KEY SIMILARITIES AND DIFFERENCES	1
3.	POPULATION SUMMARY	2
3.1	Current Base Information.....	2
3.2	Population Growth and Forecasts.....	2
3.3	Dwellings	4
3.4	Age Structure	5
3.5	Household Types.....	6
4.	CULTURE 7	
4.1	Birthplace	7
4.2	Religion	7
4.3	Language	7
5.	EDUCATION	8
5.1	School Completion	8
5.2	Post School Qualifications	8
6.	LABOUR MARKET	10
6.1	Employment Status	10
6.2	Industries of Employment	10
6.3	Occupations	11
7.	HOUSEHOLD INCOME AND WEALTH	12
7.1	Equivalised Household Income.....	12
8.	SOCIOECONOMIC DISADVANTAGE	13
9.	POLITICAL PARTY COMPOSITION	14
9.1	Local Government	14
9.2	State and Federal Government.....	14
10.	LOCAL ECONOMIC FEATURES	15
10.1	Gross Regional Product.....	15
10.2	Size of Workforce	15
10.3	Knowledge Economy.....	16
11.	INTERDEPENDENCE AND ECONOMIC RELATIONSHIPS	17
11.1	Metro Commuter Clusters.....	17
11.2	Workers' Place of Residence.....	17
11.3	Residents' Place of Work.....	18
11.4	Migration Patterns	19



12. SERVICING	20
12.1 State and Federal Government Services	20

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Document Status

Approving Director:	Draft	Date:	January 2015
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1. INTRODUCTION

The three councils of City of Botany Bay, Marrickville and Rockdale have agreed to undertake shared modelling of a range of factors to understand the relative benefits and dis-benefits of a possible merger as part of a broader range of considerations that will inform their response to the Local Government Review Panel recommendations. For the purposes of this report, the three councils are termed the 'Airport Councils' for their relationship of bordering Sydney Airport.

A desktop review of the communities of the Airport areas has been undertaken in order to understand the current demographic composition of the area, the similarities and differences between the council areas, and the interrelationships and communities of interest that currently exist within the area.

Communities of interest and geographic cohesion are considered essential considerations for any boundary adjustment process (Section 263 of the Local Government Act). The two key reference points for this review is ABS Census Data taken from the Councils' Profile ID websites, along with the analysis contained in the *New South Wales Local Government Areas: Similarities and Differences, A report for the Independent Local Government Review Panel report*³⁴.

2. SUMMARY OF KEY SIMILARITIES AND DIFFERENCES

The Airport Councils have come together to consider what merger options might look like based on their common relationship of having part of Sydney Airport within their boundaries.

The areas are not a natural grouping in a regional planning sense, with Rockdale generally forming part of the St George region, City of Botany Bay tending towards the eastern suburbs, and Marrickville within the inner west or inner Sydney. There are a range of *similarities and differences* between the areas, including:

Similarities

- The dependence on and movements to the City of Sydney for employment, entertainment, retail and other services
- Higher education levels than Greater Sydney
- Low employment containment within each council area
- All areas anticipate significant population growth to 2031

Differences

- Rockdale and Marrickville are in the most academically inclined cluster of council areas
- There is a low ratio of children to adults of parenting age associated with a low proportion of children in the population overall and a low proportion of elderly people in Marrickville and Rockdale
- City of Botany Bay's population density is significantly lower than the other areas
- Rockdale is noted in a cluster indicating its strong multiculturalism

³⁴ National Institute of Economic and Industry Research, March 2013

- There are more residents of City of Botany Bay and Rockdale in the generally lower earning occupations (trades, labouring)
- City of Botany Bay has the largest economy in gross terms, and on a per capita basis, reflecting its large share of both Sydney Airport and Port Botany and the industrial and employment lands surrounding these
- English is the predominant language spoken at home in Marrickville, while Rockdale and City of Botany Bay show a greater proportion of homes speaking other languages

The three areas all fall in different clusters for their cross-border relationships, as follows:

- Rockdale is in a cluster of areas that are unambiguously close to their neighbours, relying on them for employment and showing high rates of cross-border migration. These areas also have in common less jobs than are necessary to employ their own population and are therefore responsible for net outbound commuting
- City of Botany Bay is a cluster that relies on their neighbours for employment and short-distance migration and attract net inbound commuting and shoppers
- Marrickville is in a cluster of areas that are sources of outbound commuting and outbound shoppers

Currently the three council areas are grouped in different regions under a number of federal and state government planning and service delivery regions, with City of Botany Bay tending to be grouped with the eastern suburbs, Kogarah with the southern suburbs and Marrickville with the inner city and inner west.

3. POPULATION SUMMARY

3.1 Current Base Information

	Population (ERP 2013)	No. Households	Land Area (ha)	Population Density
City of Botany Bay	43,292	14,884	2706	16
Marrickville	82,523	32,099	1656	49.84
Rockdale	106,712	36,359	2823	37.8
Total Airport	232,527	83,342	7185	32.36

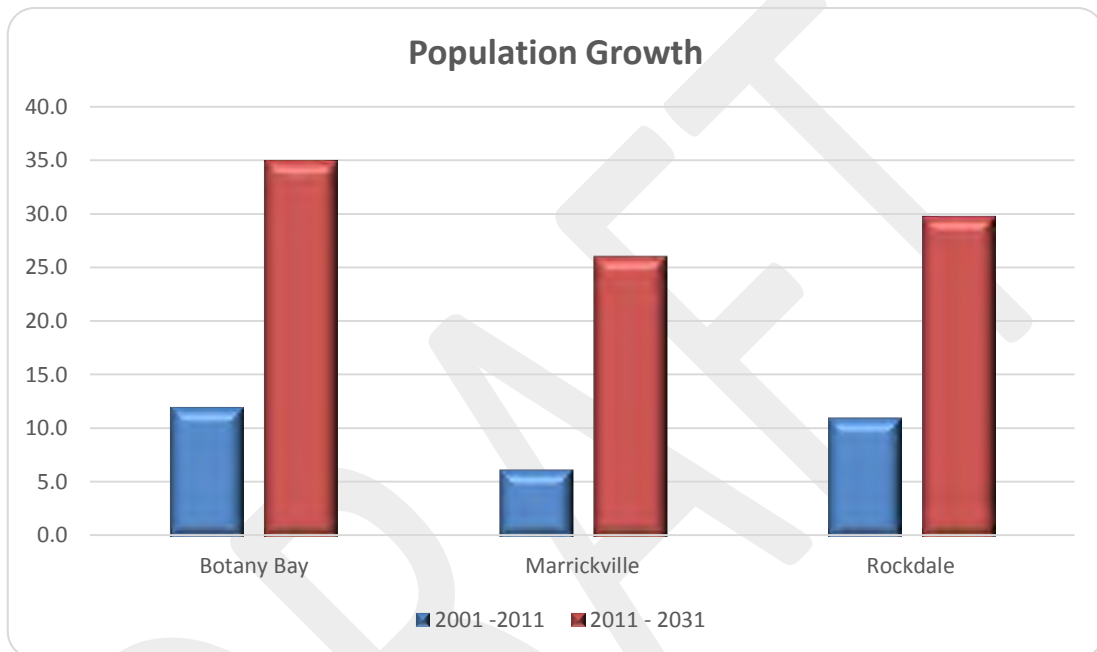
3.2 Population Growth and Forecasts

Analysis of the census data and the NSW Department of Planning's Population forecasts has been undertaken to identify the patterns of past and future population growth within the Airport region. Overall, the region's population is expected to grow to 292,700 from 2011 to 2031. This represents growth of 29.45%, following growth in the previous reporting period (2001 – 2011) of 9.4%.

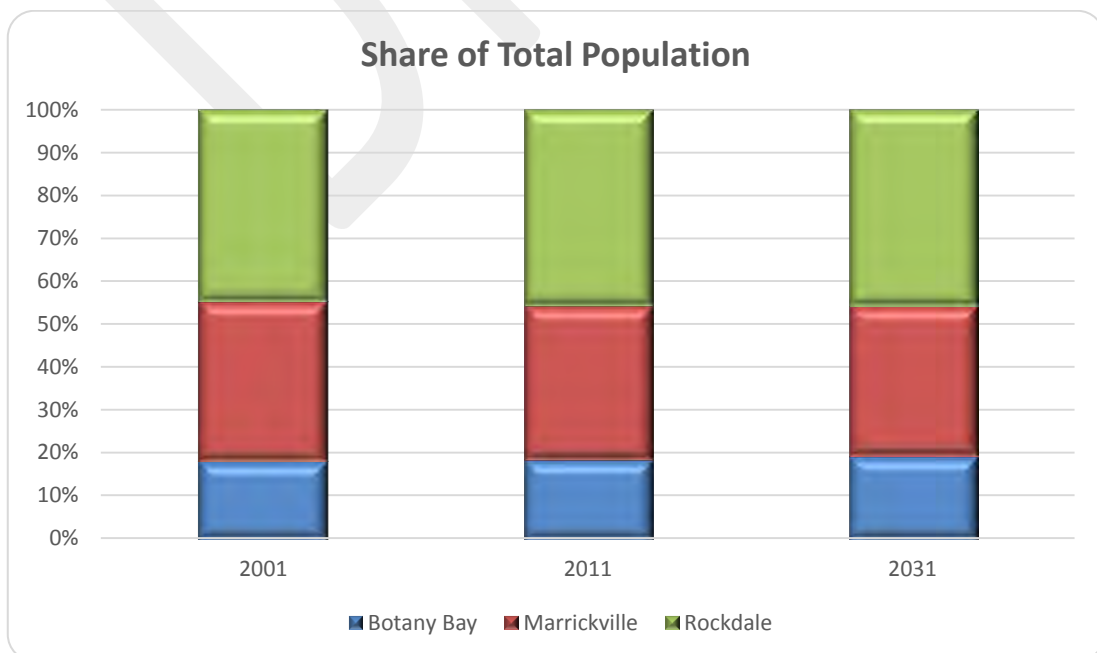
All council areas are expected to see strong population growth greater than the 27.84% projection for New South Wales, while contributing strongly to Sydney Metropolitan's expected total increase of 36.76%.

City of Botany Bay, being the least populous, is predicted to take the greatest share of the growth in this region, up by 35% to 2031.

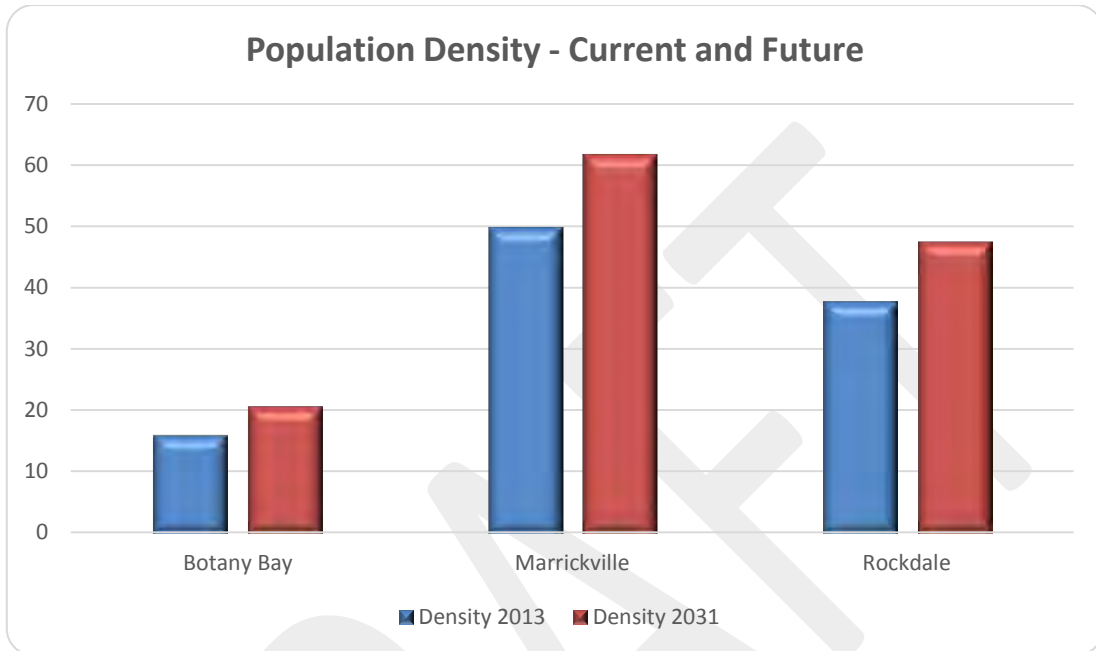
Marrickville’s population is expected to increase considerably in future years. In the period 2001 to 2011, the population was expected to grow by 6.1%. For the period 2011 – 2031, this rate is anticipated to be 26.1%. Likewise, accelerated growth is expected in Rockdale, 29.8% growth in the forward projections, up from 11% for the previous ten year period.



While noting the strong growth in the region, each council’s overall population share does not vary considerably in the future.



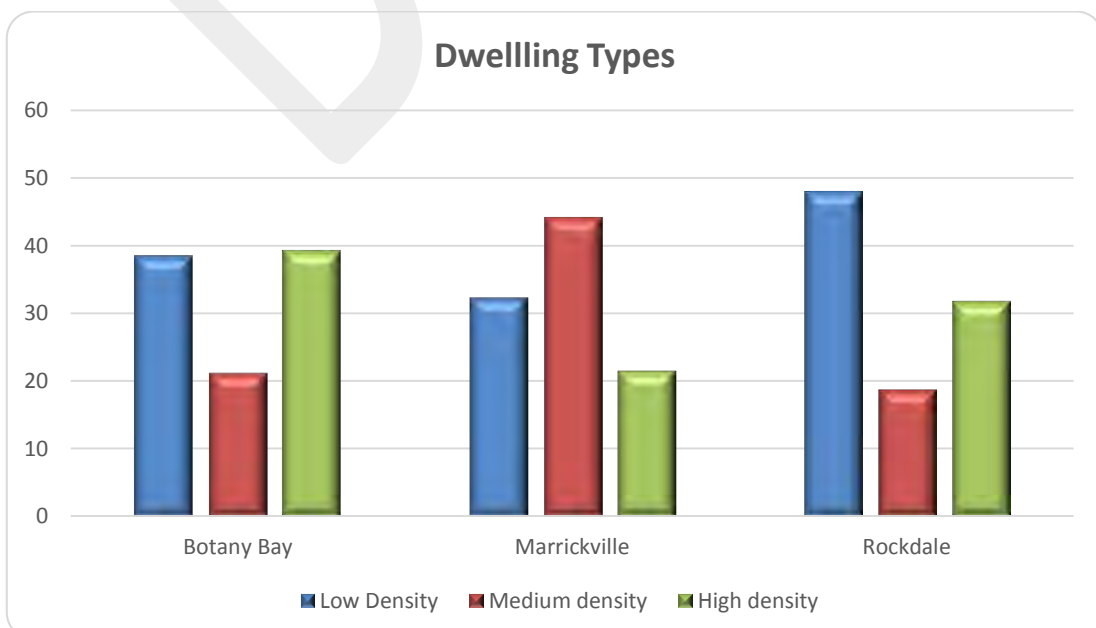
The forecast population growth will increase the density in all council areas, and as a whole from 32 to 40 persons per hectare.



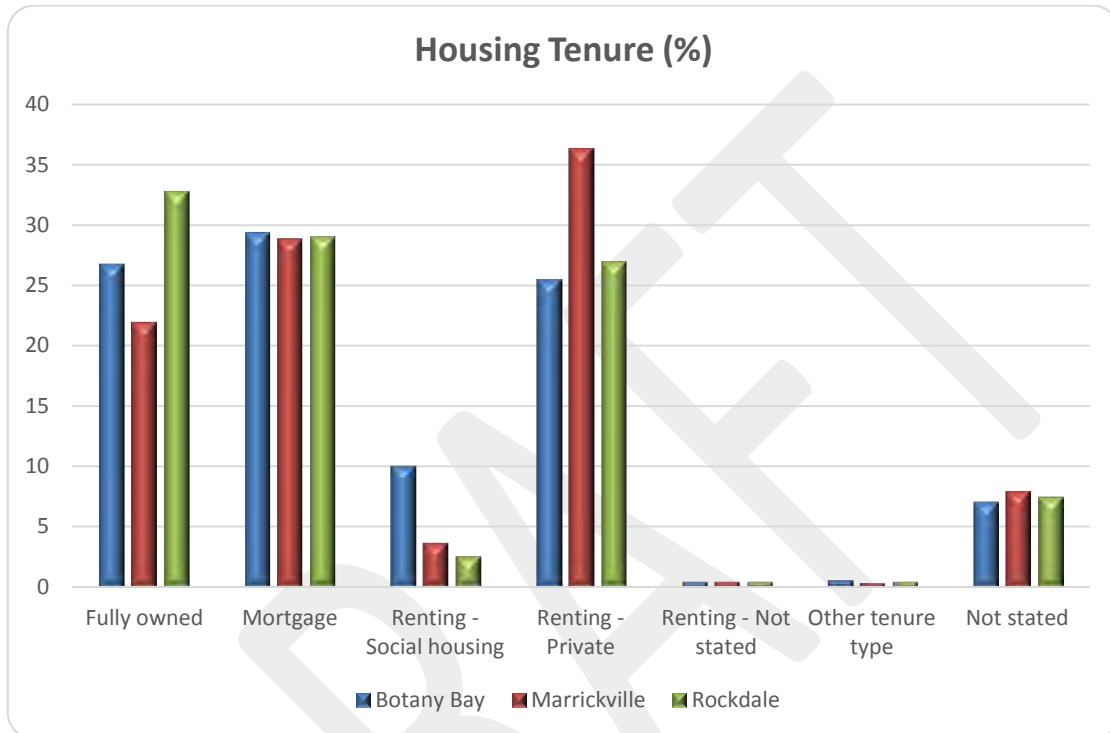
3.3 Dwellings

Overall the three councils are in a cluster of areas with high proportions of flats, greater population mobility than the state average and tenancy distributed across the tenancy types.

Rockdale has the highest proportion of low density dwellings, with City of Botany Bay having the highest proportion of high density dwellings. This is despite its low population density, reflecting the large proportion of its land area that is taken up by industrial and employment lands. Marrickville has greatest proportions of medium density housing as a total.



Across the Airport Councils, there is a significant proportion of people living in rental accommodation, particularly in Marrickville. The number of people living in social housing in the City of Botany Bay area is higher than the Greater Sydney average. All areas have a similar proportion of residents with mortgages.



3.4 Age Structure

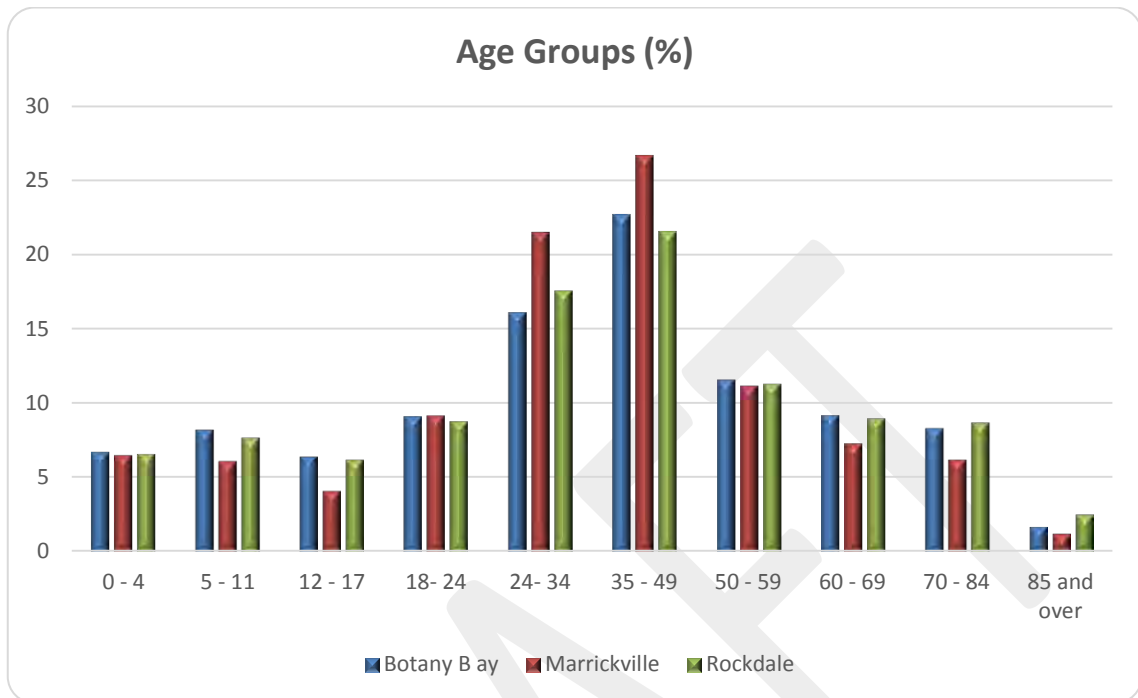
The age structure of the communities of the Airport Councils shows a strong working age population with the largest proportion of residents between 18 – 49 years of age.

The age structure of the community provides an insight into the level of demand for age based services and facilities, as well as the key issues on which local government will need to engage with other levels of government in representation of their community.

The *Similarities and Differences* analysis split the three areas across two clusters for age structure, with City of Botany Bay showing average proportions of children and elderly people with reasonably high retention rates both for young adults and the very old. Marrickville and Rockdale however fall in a cluster with a low ratio of children to adults of parenting age associated with a low proportion of children in the population overall and a low proportion of elderly people.

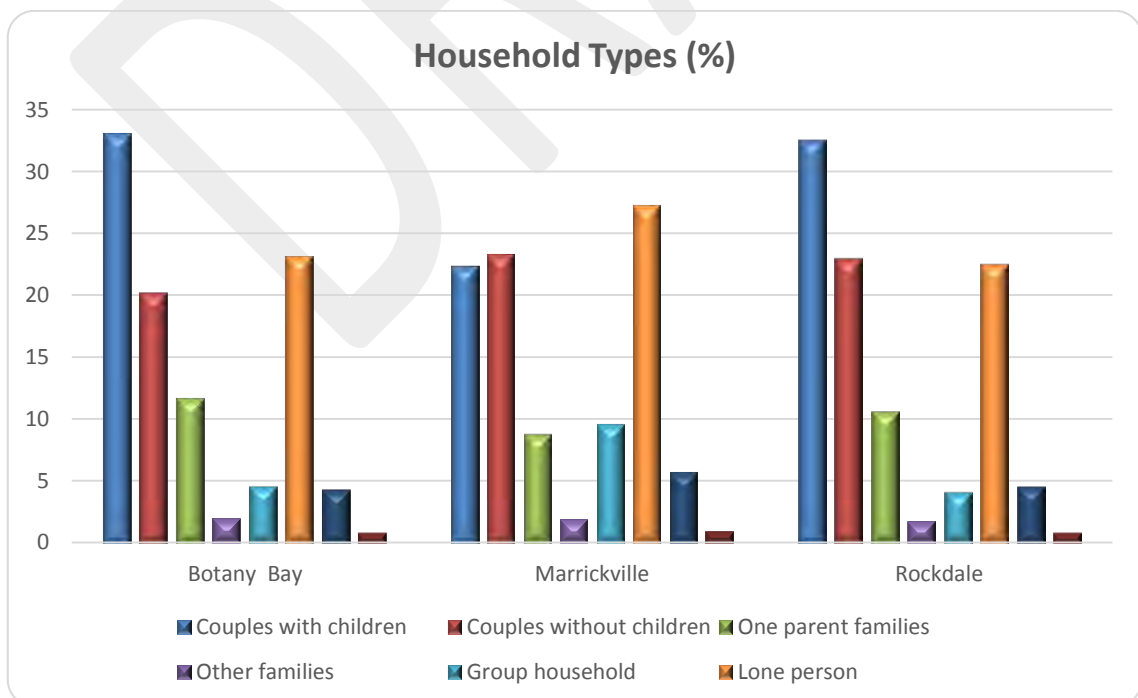
The key similarities and differences within the Airport Council's age structure include:

- All areas show a high cluster of people between ages 24 – 49
- City of Botany Bay has a higher proportion of children (0 – 18 years)
- Rockdale shows the greatest proportions of elderly residents



3.5 Household Types

Couples with children and houses with only one resident make up a significant proportion of the councils' household types. This reflects the information found in the Similarities and Differences report.



4. CULTURE

4.1 Birthplace

Around 50% of the residents of Rockdale and City of Botany Bay were born in Australia, and 60% of those who live in Marrickville.

All council areas however show significant representation of South East Asia and West Asia for those born elsewhere.

The following table shows the top three countries of birth, after Australia, for each Airport council area:

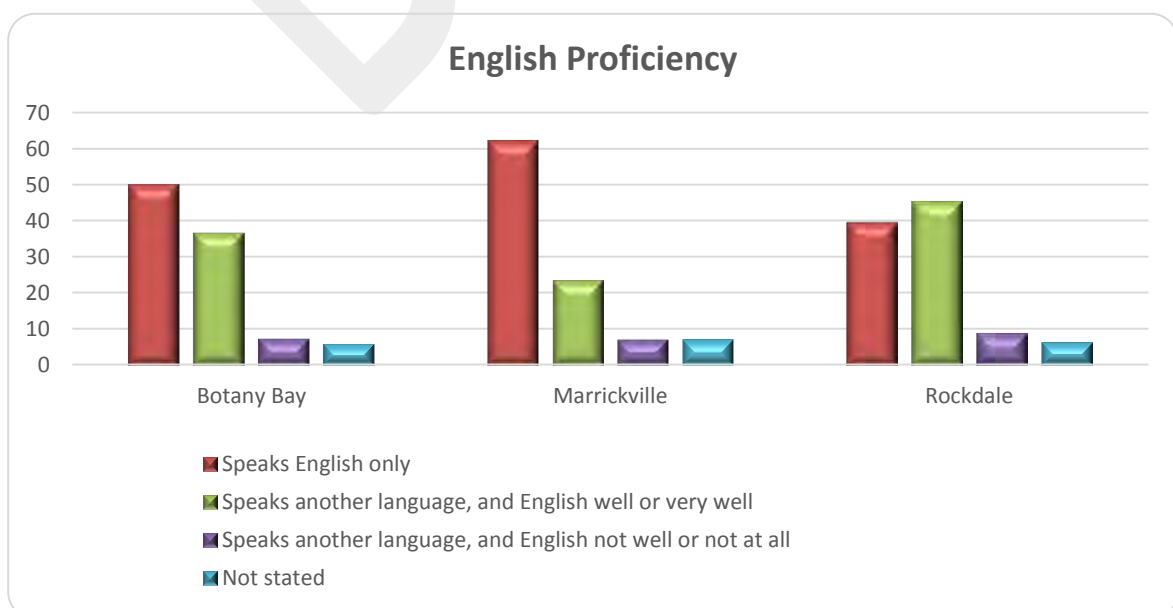
	Born in Australia	1	2	3
City of Botany Bay	51.4%	China 3.3%	Bangladesh 2.9%	Indonesia 2.9%
Marrickville	58.3%	UK 4.5%	Greece 3%	Vietnam 2.9%
Rockdale	49.7%	China 6.3%	Greece 3.2%	Former Yugoslav Republic of Macedonia 3%

4.2 Religion

Marrickville has around a quarter of the population with no religion. Second to this, Catholicism and Protestantism feature. City of Botany Bay and Rockdale show a stronger proportion of residents involved in organised religion. Specifically, Orthodox and Muslim faiths are present. There is a low rate of no religion in this cluster.

4.3 Language

City of Botany Bay and Rockdale both cluster in respect of language spoken at home. In this small cluster English is used at home by less than a third of households. South Asian languages are more prominent than East Asian while South West Asian and East European languages are also widely spoken. Marrickville meanwhile falls in a cluster where English is the predominant language used in the home.



5. EDUCATION

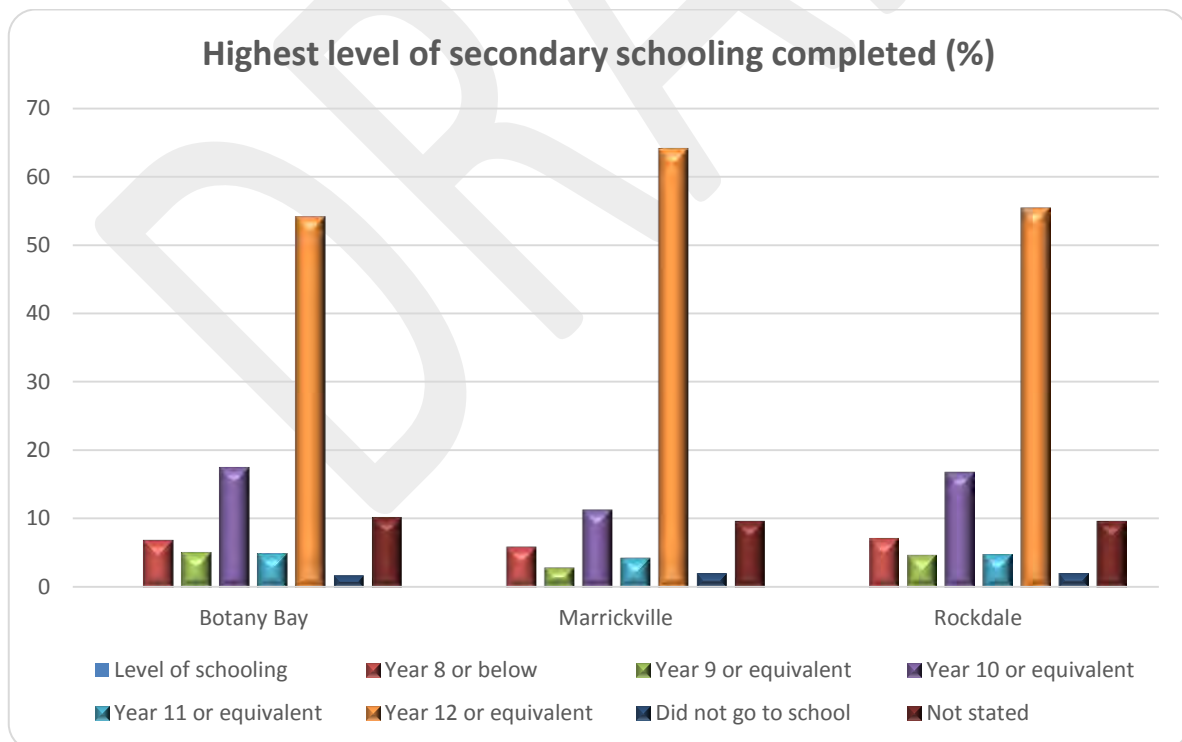
In the similarities and differences study, Marrickville sits in a cluster of areas characterised by high proportions of overseas-born residents with good English, high educational attendance, high Year 12 completion and high ratio of professional to trade qualifications, compromised by moderate proportions of overseas-born and speaking limited English (distinguishing it from the most academically inclined areas in Sydney).

Rockdale and City of Botany Bay are clustered together in a group of areas with less academically inclined areas with moderate Year 12 achievement, fairly high proportions of people born overseas with good English, quite high adolescent educational attendance and fairly low proportions of residents with professional qualifications.

5.1 School Completion

School completion data is a useful indicator of socio-economic status. Combined with educational qualifications it also allows assessment of the skill base of the population.

Overall, the Airport Councils have high rates of Year 12 school completion. Only City of Botany Bay falls below the Greater Sydney average for completion, with 54% of people completing, as compared to an average of 55%.

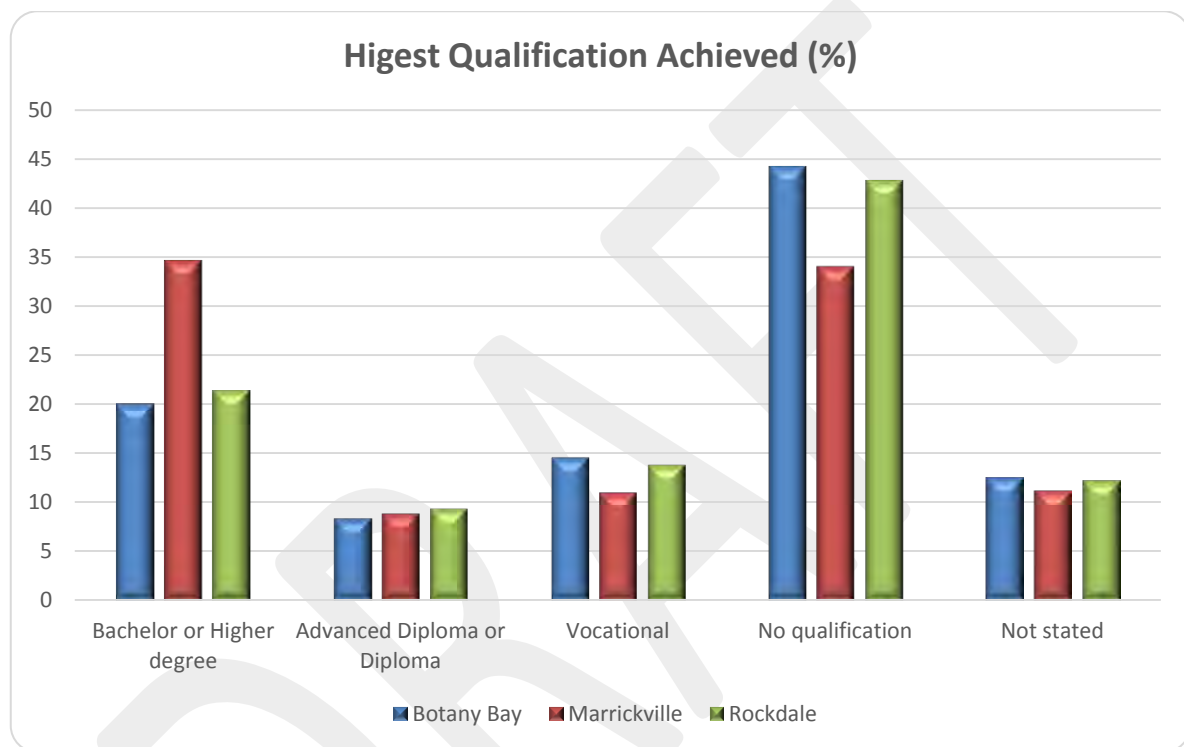


5.2 Post School Qualifications

Educational qualifications relate to education outside of primary and secondary school and are one of the most important indicators of socio-economic status. With other data sources, such as employment status, income and occupation, an area's educational qualifications help to

evaluate the economic opportunities and socio-economic status of the area and identify skill gaps in the labour market.

Marrickville shows the largest number of residents in receipt of Bachelor or higher degree qualifications, and exceeding the Greater Sydney average of 24%. City of Botany Bay and Rockdale however show a higher proportion of residents with no qualifications.



6. LABOUR MARKET

The three council areas fall in different clusters in the Similarities and Differences report. City of Botany Bay falls in a cluster with areas typically considered to be more high wealth areas. City of Botany Bay is grouped here due to its low unemployment however measured, low social security take-up, reasonably high work availability and moderate FTE employment participation.

Both Marrickville and Rockdale, while featuring in separate clusters in the Similarities and Differences report, both typically experience moderate rates of unemployment and social security take up. Marrickville however typically has higher FTE job holding and a greater number of hours worked.

6.1 Employment Status



6.2 Industries of Employment

City of Botany Bay and Rockdale share similar industry profiles. Marrickville however shows a different spread of industries, with Healthcare and Social Assistance still featuring in the top three industries.

	1	2	3
City of Botany Bay	Health Care and Social Assistance	Retail Trade	Transport, Postal and Warehousing
Marrickville	Professional, Scientific and Technical Services	Education and Training	Health Care and Social Assistance
Rockdale	Health Care and Social Assistance	Retail Trade	Transport, Postal and Warehousing

6.3 Occupations

The three councils have a predominance of professionals, with Marrickville being highest overall. Managers, and clerical and administrative roles also feature strongly across all regions, however with Marrickville again the largest proportion of people are engaged in these roles. Other positions (trade, retail and labouring roles for example) make up a larger proportion of the total occupation for the other council areas of City of Botany Bay and Rockdale.



7. HOUSEHOLD INCOME AND WEALTH

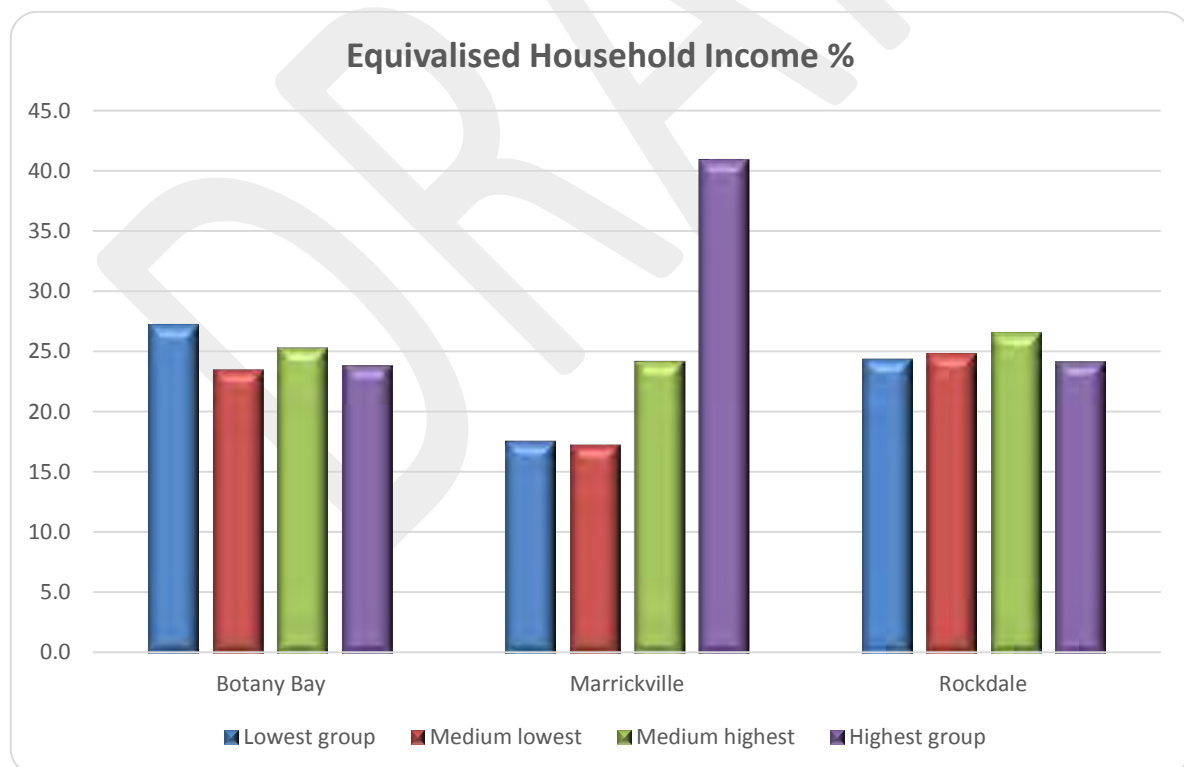
The three councils sit in cluster of areas with moderately high wealth per household (around \$0.85 million each), with much of the wealth in housing. Liabilities and the rate of growth of wealth are moderate.

7.1 Equivalised Household Income

Equivalised Household Income puts all households on an equal footing independent of household size and composition to enable a true comparison between areas and over time. It is an indicator of the income resource available to a household of standard size and is the best measure of the changing economic fortunes of households living in an area.

Marrickville has the highest incomes of the three council areas with the greatest proportion of households in the highest income quartile. Rockdale shows a fairly even distribution of income, with the medium income level being slightly higher than the other ranges.

The greatest proportion of households in City of Botany Bay sit in the lowest income group, which amongst other factors reflects in the index of socioeconomic disadvantage (discussed below).

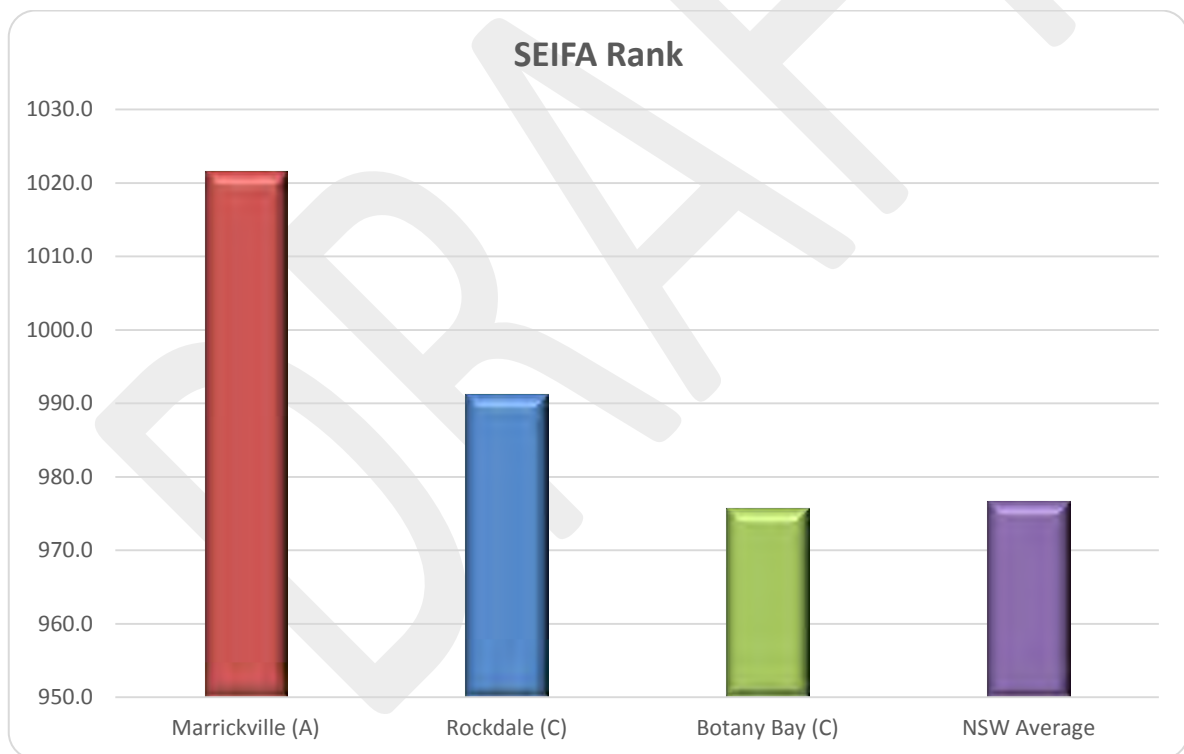


8. SOCIOECONOMIC DISADVANTAGE

The SEIFA Index of Disadvantage measures the relative level of socio-economic disadvantage based on a range of Census characteristics. It is a good place to start to get a general view of the relative level of disadvantage in one area compared to others and is used to advocate for an area based on its level of disadvantage.

The index is derived from attributes that reflect disadvantage such as low income, low educational attainment, high unemployment, and jobs in relatively unskilled occupations. Lower scores on the index reflect higher levels of disadvantage, where higher scores indicate greater advantage.

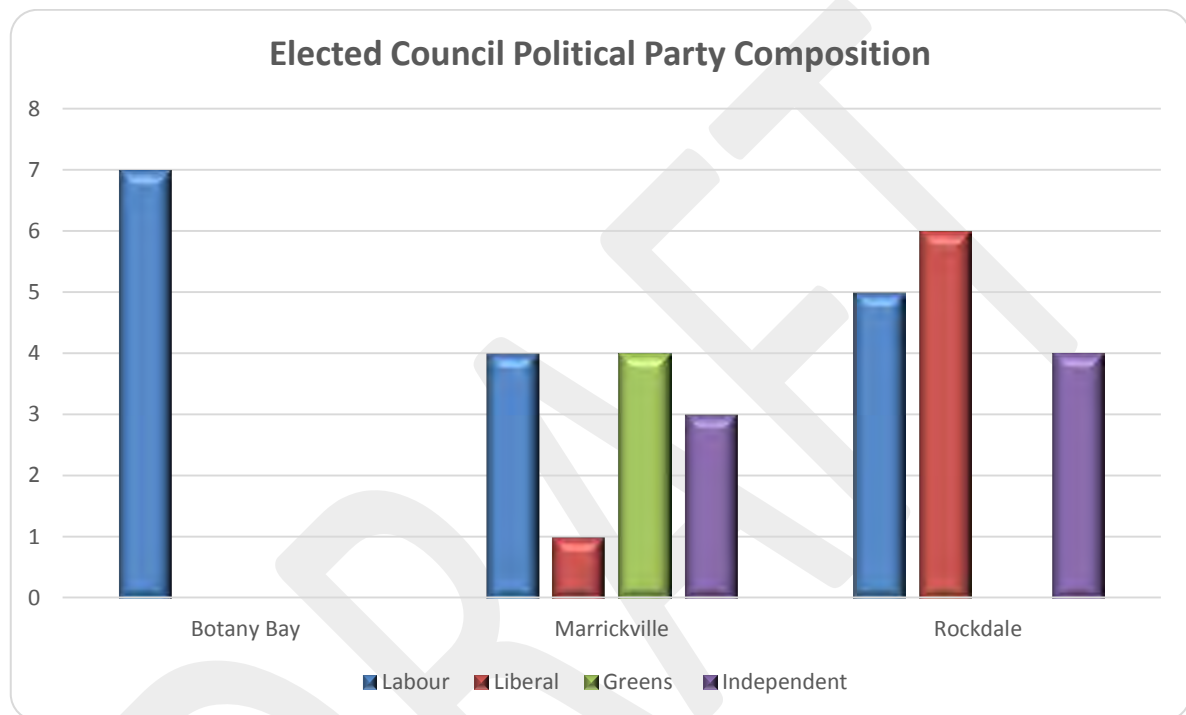
Both Marrickville and Rockdale’s SEIFA scores indicate a higher level of advantage than the average across New South Wales. City of Botany Bay falls below the average score, however is still ranked 62 out of 152 council areas in the State.



9. POLITICAL PARTY COMPOSITION

9.1 Local Government

The composition of each elected council within the Airport Council's is presented below:



There are some notable differences across the regions:

- City of Botany Bay is represented entirely by the Labour party. The council was elected unopposed in 2008, and in 2012 there were two wards that were unopposed
- Marrickville has both Labour and Greens Councillors. Marrickville is the only area with Greens representation
- Rockdale shows the largest representation of Liberal Councillors across the region, and also has a strong independent presence on the council

9.2 State and Federal Government

	State Electorate	Party	Federal Electorate	Party
City of Botany Bay	Maroubra	Labour	Kingsford Smith	Labour
Marrickville	Heffron, Summer Hill	Labour	Grayndler	Labour
Rockdale	Rockdale	Liberal Party	Barton	Liberal

City of Botany Bay and Marrickville are Labour-dominated at the state and federal levels, where Rockdale has Liberal members at both levels.

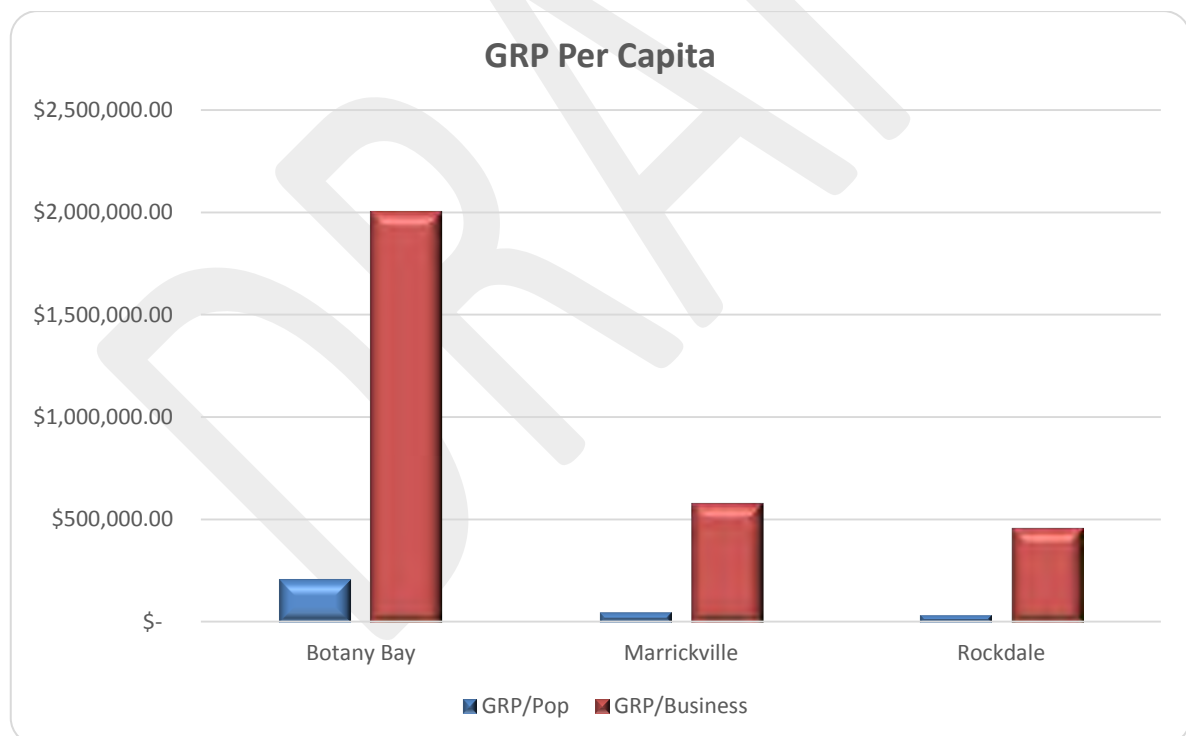
10. LOCAL ECONOMIC FEATURES

10.1 Gross Regional Product

The Gross Regional Product for each council area is:

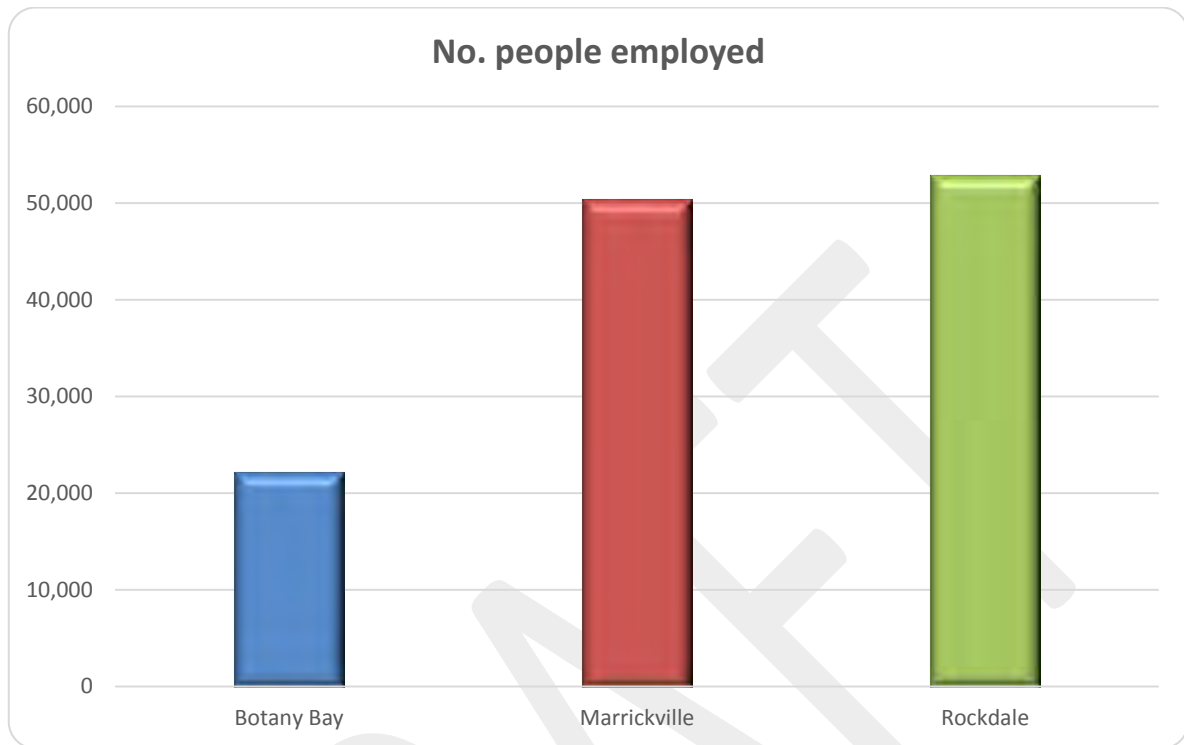
Council Area	Gross Regional Profit
City of Botany Bay	\$8,930,000,000
Marrickville	\$4,014,000,000
Rockdale	\$3,827,000,000

City of Botany Bay has the largest economy in both gross and relative terms, reflective of the economic activity in and around the Airport and Port Botany.



10.2 Size of Workforce

The number of people employed in each council area is show below.



10.3 Knowledge Economy

The knowledge economy is an indicator of areas where there are high levels of innovation, creativity and knowledge based activity. The Similarities and Differences report identifies these areas as characterised by a higher number of patents; employment in the creative arts; post-school qualifications in society, culture or the creative arts; same sex couples; proportion of jobs in professional and scientific services; and post graduate degrees.

Marrickville, Leichhardt and Ashfield are in a cluster of councils notable for their “high arts activity, high professional employment and high level of postgraduate qualifications, a moderately high proportion of same-sex couples and moderate patent application rates. The cluster has no members outside the inner metropolitan area. On the indicators considered, at least, the knowledge economy in New South Wales is synonymous with global Sydney”.

The report singles out the Marrickville LGA as containing peak arts employment in NSW, at 1.7%. A report on cultural occupations prepared by Profile ID for Marrickville Council supports this showing that in 2011, 8.2% of Marrickville’s resident population work in cultural occupations, compared to Greater Sydney’s 5.5%. In terms of local employment, 11.2% of Marrickville’s workers are employed in cultural occupations, compared to Greater Sydney’s 5.3%, and Marrickville has clear industry specialisations in printing, film and video, music and sound recording, design, photography and creative and performing arts. Marrickville (and Leichhardt and Waverley) was identified as the second highest LGA with a proportion of residents with post school qualifications in society, culture or creative arts, just behind Woollahra’s 35%

11. INTERDEPENDENCE AND ECONOMIC RELATIONSHIPS

According to the similarities and differences study, New South Wales is held together by the relationship between each LGA and the City of Sydney as a provider of governmental and financial services, as well as retail, entertainment and other services. Patterns of demand in the inner metropolitan areas converge on the City of Sydney. None of the council areas identified shows status as an independent centre based on the pattern of economic relationships.

City of Botany Bay is a centre for retailing for the surrounding suburbs, particularly Randwick, and also contains the airport precinct.

The three areas all fall in different clusters for their cross-border relationships, as follows:

- Rockdale is in a cluster of areas that are unambiguously close to their neighbours, relying on them for employment and showing high rates of cross-border migration. These areas also have in common less jobs than are necessary to employ their own population and are therefore responsible for net outbound commuting
- City of Botany Bay is a cluster that relies on their neighbours for employment and short-distance migration and attract net inbound commuting and shoppers
- Marrickville is in a cluster of areas that are sources of outbound commuting and outbound shoppers

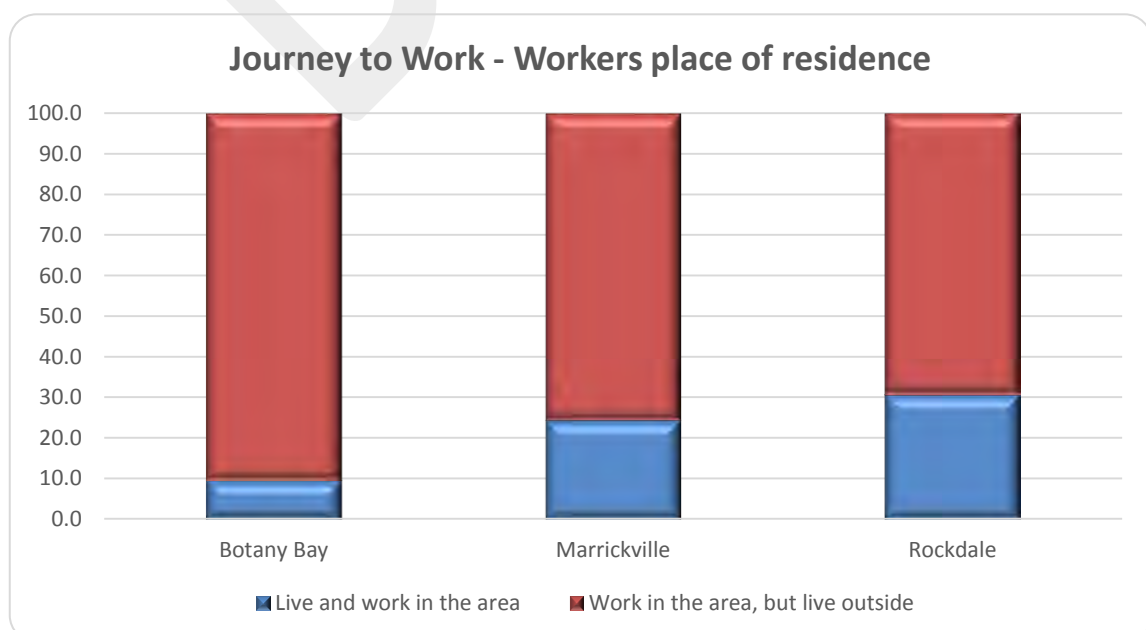
11.1 Metro Commuter Clusters

The similarities and differences report identified the following clusters in which the Airport council areas are grouped:

- Inner Ring - >35% of resident workforce employed in City of Sydney (Marrickville)
- Middle Ring – 20<35% employed in City of Sydney (Rockdale and City of Botany Bay)

11.2 Workers' Place of Residence

Most residents in the three councils work outside the council area, with Rockdale showing the highest number of residents living and working in the council boundary.



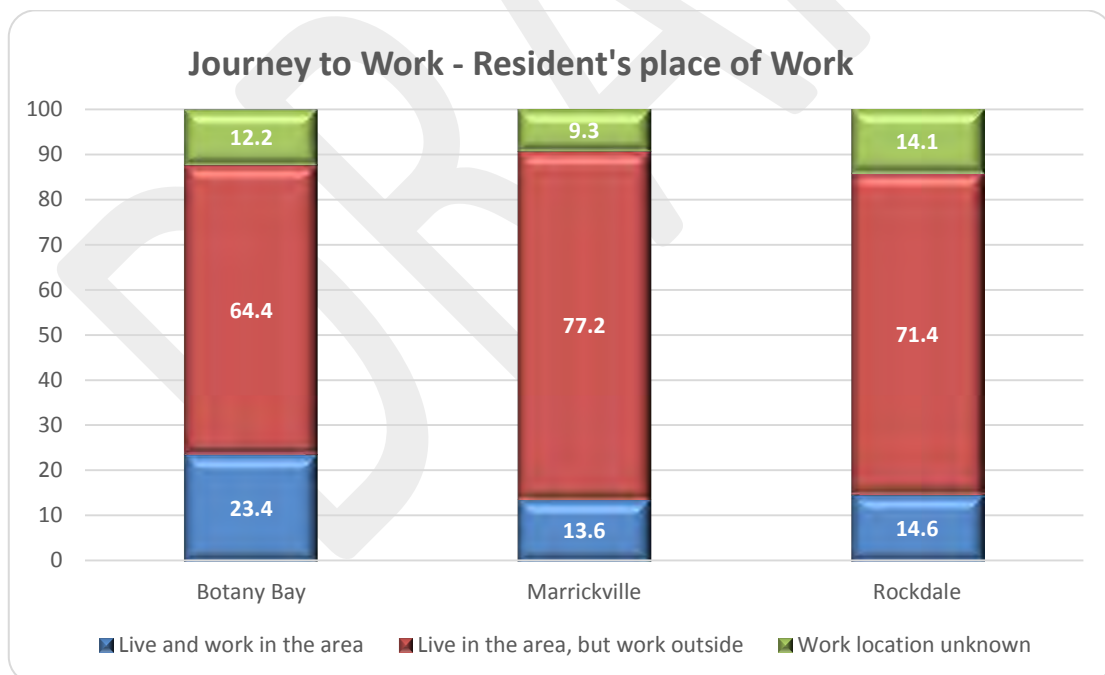
The most prominent places of residence for people employed in the Airport Council areas are:

	First	Second	Third	Airport Total
City of Botany Bay	Randwick 9.8%	City of Botany Bay 9.6%	Rockdale 7.8%	19.8%
Marrickville	Marrickville 24.4%	Canterbury 11%	Rockdale 5.2%	30.6%
Rockdale	Rockdale 30.7%	Sutherland Shire East 7.9%	Kogarah 7.3%	34.1%

The majority of workers in each of the council areas live in areas outside the region. Further, there does not appear to be significant levels of travel between the council regions for employment.

11.3 Residents' Place of Work

Residents' place of work is consistent with the dominance of central Sydney as an employment hub with majority of residents working outside their current council boundary.



	Top Place of Work	Live and Work in Area
City of Botany Bay	City of Botany Bay	23.4%
Marrickville	Sydney (Inner)	13.6%
Rockdale	Rockdale	12%

The top place of work for residents of City of Botany Bay and Rockdale are within their council boundaries, however makes up a small proportion of the locations in which residents work. The top location of work for residents of Marrickville is within Sydney, followed by Marrickville.

11.4 Migration Patterns

The following migration patterns occurred within each council area between 2006 and 2011:

	Highest Net Gains	Highest Net Losses
Marrickville	<ol style="list-style-type: none"> 1. Sydney 2. Randwick 3. Leichhardt 	<ol style="list-style-type: none"> 1. Canterbury 2. Rockdale 3. Bankstown
City of Botany Bay	<ol style="list-style-type: none"> 1. Randwick 2. Sydney 3. Waverley 	<ol style="list-style-type: none"> 1. Rockdale 2. Campbelltown 3. Canterbury
Rockdale	<ol style="list-style-type: none"> 1. Randwick 2. Marrickville 3. Sydney 	<ol style="list-style-type: none"> 1. Hurstville 2. Sutherland Shire 3. Kogarah

The following observations can be made:

- All areas benefit from migration from Randwick and Sydney.
- Rockdale benefits from migration from Marrickville, and Botany Bay.

The similarities and differences report highlights:

- City of Botany Bay sits in with the Eastern Suburbs as a group with frequent border crossings
- The border between Marrickville and City of Botany Bay is infrequently crossed
- There is much border crossing between the three St George areas

12. SERVICING

12.1 State and Federal Government Services

There are some differences in the regional groupings of the three areas for the purposes of Federal and State planning and service delivery, for example:

1. Medicare Local

The three Local Government Areas are fragmented across three separate Medicare Local Districts, with City of Botany Bay in the eastern Sydney area, Marrickville in the Inner West, and Rockdale in South Eastern Sydney.



2. NSW Health

City of Botany Bay and Rockdale sit in the Eastern Sydney Local Health District, and Marrickville in the Sydney Local Health District.



3. NSW Metropolitan Strategy, Central Subregion

Marrickville and City of Botany Bay are in the Central Subregion and Rockdale in the South Subregion under the draft Metropolitan Strategy.



APPENDIX I Shared Services Costs and Benefits

		Short	Medium	Long
		years 0 -3	year 4- 5	ongoing
	Works and tech Services			
	Harmonisation	-250,000		
	Accommodation/Signs/Branding	-350,000		
	IT	-1,500,000		
	Transitional Body	-750,000		
	Staff Savings		17,864,270	35,728,540
	Plant Rationalisation		4,220,000	
Asset Rationalisation				
Contacts	4,128,000	4,128,000	8,256,000	
	Sub total	1,278,000	26,212,270	43,984,540
Back of House	Harmonisation	-250,000		
	Accommodation/Signs/Branding	-350,000		
	IT	-55,000,000		31,428,572
	Transitional Body	-1,250,000		
	Staff Savings		5,200,000	10,400,000
	Sub Total	-56,850,000	5,200,000	41,828,572
Total	Total	-55,572,000	31,412,270	85,813,112





Marrickville Council
**UNDERSTANDING
COMMUNITIES
OF INTEREST**

Attachment 6a

INTRODUCTION

As part of its Fit For the Future proposal, Marrickville Council has proposed the inclusion of 'Community of Interest' as an additional indicator, following internally conducted research that indicated that 'community of interest', ie the 'natural sense of community' or societal connectness, was an important indicator of successful amalgamations. The research concluded that understanding 'natural sense of community' and how best to deliver optimal synergies between partners was likely to be a critical factor in organisational amalgamations.

1. WORKING DEFINITION OF 'COMMUNITY OF INTEREST'

A 'community of interest' comprises 3 dimensions:

1. Functional dimension – ie. the spatial patterns of movement, including commuting and the majority of services and facilities used;
2. Perceptual dimension – ie. sense of belonging and community values; and
3. Political dimension – ie. the ability of the elected representatives to represent community interests and reconcile conflicts.

(adapted from Fulcher, 1989)

2. MEASURES OF 'COMMUNITY OF INTEREST'

2.1 Functional Dimension

Patterns of movement for:

- Employment
- Education
- Shopping
- Culture and recreation
- Medical services
- Personal services
- Public services

(Data sources: ABS, Councils)

2.2 Perceptual Dimension

- Community values, beliefs and customs

(Data sources: Councils' community plans, market research etc)

2.3 Political Dimension

- Current political composition of the elected Council
- Population per elected representative
- Community engagement framework

(Data sources: Councils, Electoral Commission)

3. EXCERPT FROM MARRICKVILLE COUNCIL RESEARCH

The following is taken from the research paper *Factors for Consideration in Organisational Mergers and Amalgamations* (2014).

Bhatti and Hansen's (2011) research paper on the Danish amalgamations in 2007 (that saw 271 municipalities simultaneously reduced to 98 through a voluntary process in which councils selected their own partners) is of relevance Marrickville. Interestingly, the Danish councils were working towards population targets of a 20,000-30,000 residents primarily to achieve economies of scale, with the municipalities conscious of not creating "diseconomies of scale" by becoming too large. This seems comparable in the European context where average sizes are much smaller, i.e. Spain, less than 6,000; Italy, 7,500 and Norway, 12,000 (Bel and Warner, 2014), but it should be noted that the European service models are likely to differ to Australian councils. The research focused "not on whether or not to marry, but *whom* to marry". Bhatti and Hansen (2011) identify four hypothetical factors in the selection of partners including societal connectedness, economic homogeneity, political homogeneity and population size, with controls used for geographical factors (ie. likelihood of merging with organisation with shared boundaries). They note that size and homogeneity have traditionally been the trade off in amalgamations as larger communities can provide economies of scale but people generally prefer homogeneity in their communities.

In discussion of societal connectedness, Bhatti and Hansen (2011) identify commuting as a good indicator of where citizens are naturally oriented, as well as where there is a sense of shared community identity. Of their four hypotheses, Bhatti and Hansen found that societal connectness and population size were the two critical factors. They come to the conclusion that while perception of diseconomies of scale matter, population size and geography are more important. Societal connectness, ie. where the natural sense of community exists, was found to be the most important factor in partner selection, and further, societal connectness can actually be enhanced through mergers (2011).

The Local Government Panel Report *Sunbury out of Hume City Council*, prepared for the Victorian state government, addresses the desire of the Sunbury community to secede from the Hume City Council. It discusses the functional dimension of community of interest as essentially comprising the spatial patterns of movement patterns of people, including the majority of services and facilities the group uses as essential to creating a sense of belonging. Fulcher (1989) defines a community of interest as comprising 3 dimensions:


- Functional dimension, ie. the spatial patterns of movement, including commuting and the majority of services and facilities used;
- Perceptual dimension, ie. sense of belonging and community values; and
- Political dimension, ie. the ability of the elected representatives to represent community interests and reconcile conflicts.

For Fulcher (1989), a broad operational view of the concept of community of interest is essential to understanding the distinctive interests of communities and how they may be affected through boundary changes.

As Katz and Bradley (2013) note "the truth is, cities and suburbs share an economy and social ties" and several studies show that there is a strong relationship between city and suburban growth. Looking at the NIEIR cluster research was interesting from this point of view. The report divides NSW council into 7 groups with members of each group sharing similar characteristics and challenges. Marrickville is listed under 'Academically-inclined urban LGAs', and as such is considered urban, with a growing well-educated population with a fundamental challenge of economic and social development and a trade dependence on its neighbours and the broader world (NIEIR, 2013).

In terms of the potential partners, Marrickville Council has resolved to commence discussions with Ashfield, Leichhardt, Burwood, Strathfield and Canada Bay Councils, City of Sydney, Canterbury City, Botany Bay and Rockdale councils. Of those councils, Ashfield, Botany Bay, and Sydney are also included in the 'Academically-inclined' category. Canada Bay and Leichardt are included in the 'High wealth LGAs' category; while Burwood, Canterbury, Rockdale and Strathfield are included in the 'Multicultural LGAs' category.

NIEIR (2013) identifies interdependence between LGAs and the City of Sydney, as the largest provider of civic, business and entertainment services in the metro area (p123). In terms of commuter patterns, the report divides metro Sydney into rings and notes that more than 35% of Marrickville, Sydney and Leichhardt's resident workers are employed in the City of Sydney, i.e. the inner ring. Between 20-35% of resident workers from Botany Bay, Rockdale, Canterbury, Ashfield, Burwood and Strathfield and Canada Bay are employed in the City of Sydney. While strongly linked to the City of Sydney, the report notes that there is some dispersal of the commuter flows in and out.



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To better understand Marrickville's communities of interest, further research into services use, including shopping patterns, library and club memberships would be valuable. This could also include cross-border communities where synergies may exist that could be addressed through boundary adjustments, apart from amalgamations. Methodologies for this research could include commissioned surveys of residents, local clubs and businesses and review of existing membership information within the councils.

The costs of under estimating the value of synergies can be seen in the Noosa Council secession from the Sunshine Coast council which is estimated to cost Noosa Council a minimum of \$10 million (Donaldson, 2014). As for Sunshine Coast Council, they lost about \$5.2million in developer contributions and approximately 100 jobs due to Noosa seceding, not including staff transfers to Noosa (Moore, 2013).

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Manager Culture and Recreation







Marrickville Council

FACTORS TO CONSIDER IN MERGERS AND AMALGAMATIONS

Attachment 6b

EXECUTIVE SUMMARY

This research report has been prepared at the request of the General Manager to assist Marrickville Council understand, from a corporate merger and government amalgamation perspective, the factors likely to affect the success of organisational integration. This report will be used to assist Council in the preparation of its evidence-based Fit for the Future proposal to the NSW Government, due in June 2015, and complements other research currently being undertaken in Council for this purpose.

The research focused on 2 main questions:

- What are the key factors discussed in literature about the success/failure of mergers and amalgamations?
- What are some of the principle considerations for metropolitan councils, like Marrickville, potentially facing organisational mergers and integrations?

This report starts by contextualising the current local government reform environment in NSW and Marrickville's current position in relation to that. The report then turns to discussion of the literature and documents reviewed, and three staff interviews undertaken. This discussion has been divided into two main sections, factors external to Marrickville as an organisation, and factors internal to Marrickville as an organisation. The report then summarises some of key factors appearing in the literature as a list of considerations for Marrickville in respect to amalgamations and organisational integrations, and suggestions for further research.

In addition to considerations for Council detailed in section 3, some of the main points emerging from the literature review include:

- Organisational integration considerations for local government are somewhat different to corporate sector considerations, and it could be said, are more complex
- Cultural fit between communities and merging organisations appears somewhat absent in Fit For the Future literature but much is being written about the importance of culture as a success factor for integrations, for example the 'community of interest' or 'natural sense of community'
- Regardless of the partnering outcomes, strong processes and networks that reflect the complexity of the local government sector will be required and organisational eco-systems theory may assist in managing the complexity of local government amalgamations and ensuring key players are involved to ensure best outcomes
- Sydney's inner metropolitan councils' role in supporting and facilitating the knowledge economy deserves greater consideration in terms of identifying opportunities for regional cooperation
- There is no one-size-fits-all solution
- Evidence of cost savings produced by mergers and amalgamations is sparse, and contested, but other benefits such as regional cooperation are worthy of further consideration
- There is a need for the local government to document and evaluate the current reform process to contribute to industry knowledge.

In terms of considerations for Marrickville this paper presents a summary finding on key factors appearing in the literature as a list of considerations for Marrickville in respect to amalgamations and organisational integrations.

External factors for consideration include:

- Community
- Governance and intergovernmental relationships
- Local government reform process and timing

Internal factors for consideration include:

- Planning
- Communication and engagement
- Culture and performance
- Leadership and people

INTRODUCTION

This practitioner research was undertaken throughout October 2014 and, given the relatively short time frame, provides a general exploration of recent mergers, amalgamations and organisational integration literature that was readily available on the internet, through the websites of ACELG, Australian state governments, the NSW State Library, and research catalogues, content specific blogs and websites. Three interviews were undertaken with Marrickville Council staff that had directly experienced mergers, acquisitions and / or amalgamations in previous jobs in other government and corporate organisations.

While plenty has been written on corporate mergers and acquisitions over the past 30 years, longitudinal Australian studies specific to government amalgamations appear to be more sparse in comparison. This may be because local government practitioners are more focused on 'getting on with it' than documenting and evaluating change processes. In order to manage a broad subject matter, focus was given to Marrickville's metropolitan context, its government status, and its organisational needs. More focus has been given to the literature relating to mergers, as opposed to acquisitions, in keeping with the research brief from the General Manager.

CURRENT LOCAL GOVERNMENT REFORM CONTEXT

The current NSW Government reform process presents an opportunity for metropolitan councils, which haven't revisited amalgamations for a good 50 years, to consider their roles in a broader context and refresh governance structures, processes and services to support Sydney. As was evident from the Destination 2036 working party, many NSW councils recognise the value in reform for local governance.

The ILGR Panel's report on NSW local government presents a range of reform suggestions that appear to recognise the diversity of local government needs across NSW, as has been demonstrated in the Queensland, Victorian and West Australian amalgamation processes (ACELG, 2011).

State Governments and Local Government Amalgamation Policy

Throughout the 1990s and the 2000s, significant amalgamations of local councils have taken place across Australia including Victoria, Tasmania, South Australia, Queensland and the Northern Territory, with Western Australia currently partway through a major reform as well. The 2011 Destination 2036 Workshop for the NSW local government industry heralded the long anticipated commencement of the NSW Government reform process for NSW councils, with particular emphasis given to financial sustainability and effective community governance, arguably the two most cited reasons for amalgamations.

The NSW Government established the NSW Local Government Independent Review Panel in April 2012 which undertook independent research into the industry and produced a series of recommendations that included a range of proposals for council amalgamations (NSW Local Government Independent Review Panel, 2013). The panel investigated and identified options for governance models, structural arrangements and boundary changes for NSW Local Government, taking into account:

- Community needs
- Service and infrastructure issues
- Financial viability
- Representation questions
- Barriers and incentives for change

The NSW Government concurrently commissioned a review of the adequacy of the existing Local Government Act 1993. On 10 September 2014, the NSW Government provided a response to each of the Review Panel's recommendations and the changes proposed for the Local Government Act 1993 in its document Fit for the Future, NSW Government Response (NSW Government, 2014). With this, the NSW Government announced its support for voluntary amalgamations through the establishment of the Fit for the Future program.

The Fit for the Future program requires NSW councils to prepare a business case to establish if they are 'fit for the future' by 30 June 2015. "The Government expects all councils to reform to meet the needs of their community – to become financially sustainable, efficient, effectively manage infrastructure and deliver services and have the scale, resources and 'strategic capacity' to govern effectively" (NSW Government, 2014, pp12-13). The Government's website and documentation is silent on how it will manage councils that do not participate in their program. The Government's assessment criteria includes financial sustainability, effectiveness in delivering services and managing infrastructure, efficiency, and scale and capacity, with 'scale and capacity' to be assessed against the Review Panel's recommendations for amalgamation.

Fit for the Future includes technical and specialist support services through the NSW Office of Local Government and differentiated package of incentives for regional and metropolitan Councils to consider mergers including a range of financial incentives, the promise of increased planning responsibilities and assistance from the Office of Local Government. The NSW Government also recommended the creation of 'local transition committees' comprising the Mayors, a councillor and general manager of each merging council "to allow local leadership of the merger process" (NSW Government 2014).

Fit for the Future and Metropolitan Sydney

The Fit for the Future recommendations for Metropolitan Sydney include:

- Strengthen arrangements within State government for coordinated metropolitan planning and governance, and to ensure more effective collaboration with local government
- Seek evidence-based responses from metropolitan councils to the Panel's proposals for mergers and major boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission
- Prioritise assessments of potential changes to the boundaries of the Cities of Sydney and Parramatta, and retain a separate City of Sydney Act to recognise its Capital City role
- Establish State-local City Partnership Committees for Sydney and Parramatta along the lines of Adelaide's Capital City Committee
- Pending any future action on mergers, establish Joint organisations of councils for the purposes of strategic sub-regional planning
- Maximise utilisation of the available local government revenue base in order to free-up State resources for support to councils in less advantaged areas
- Continue to monitor the sustainability and appropriateness in their current form of the Hawkesbury, Blue Mountains and Wollondilly local government areas
- Promote the establishment of a Metropolitan Council of Mayors

For Sydney councils, where the ILGR Panel has recommended mergers, the Government has requested that councils "address scale and capacity consistent with the recommendations of the Panel" but not necessarily "meet with the other three criteria of financial sustainability, effective services and infrastructure and efficiency until the new structure is in place" (NSW Government, 2014).

Marrickville Council's Current Position

Marrickville Council in its report on the program, has confirmed its opposition to amalgamations in its September 2014 Council meeting and noted that much of the Government's assistance to reform is restricted to the Fit for the Future program. "This essentially means access is subject to agreement to amalgamate where this has been recommended by the Panel". And further, that of the \$153m available for metropolitan councils under Fit for the Future, \$10.5m will be available to each merged entity to assist with transition costs, which Marrickville questions whether will be sufficient to cover the costs of merging.

The ILGR Panel has recommended that Marrickville could only achieve an appropriate scale if it amalgamated with Ashfield, Leichhardt, Burwood, Strathfield and Canada Bay councils. To commence engagement with the community, Marrickville Council, through Micromex Research, undertook a telephone survey of 408 residents in May 2013 that showed that 49% were Not at All supportive or Not Very Supportive; 28% were Completely Supportive or Somewhat Supportive and 23% were Undecided on the question of Marrickville Council amalgamating with neighbouring councils (Micromex, 2013). This report also showed that:

- 36% preferred no amalgamations;
- 26% of residents preferred to merge with Ashfield, Burwood, Canada Bay, Leichhardt and Strathfield;
- 19% supported merging with the City of Sydney, Botany Bay and some eastern councils ;
- 12% preferred to merge with Canterbury Council; and
- 6% preferred another option, such as merging with Leichardt Council or another grouping of councils.

In the same Council report on 16 September 2014, it was noted that "it would be imprudent for Council not to at least explore the potential impact of amalgamation on Council's future financial sustainability in order to reference that in its submission. Opening dialogue with other Councils will establish firstly, whether other Councils are open to the possibility of voluntary amalgamation and secondly, the likely impact of amalgamation on the financial sustainability, effectiveness and efficiency of any merged entity."

Council, through its General Manager, extended an invitation to all potential neighbouring councils to enter into strategic dialogue regarding the Fit for the Future submission (Marrickville Council, 2014).

LITERATURE REVIEW

The literature relating to mergers, acquisitions and amalgamations is broad in range and this section focuses on literature considered relevant to Marrickville's local government context, and filters that information through the factors external and internal to Marrickville Council as an organisation that have potential to affect an amalgamation process.

1. External Organisational Factors

1.1 Marrickville's metropolitan context

In the Forward to the Metropolitan Revolution, Judith Rodin President of the Rockefeller Foundation, notes that by 2050 three-quarters of the world's population will be living in urban areas and that as the importance of metropolitan areas in building economic growth and resilience for the planet increases, so increases the need to find creative and innovative solutions for the issues inherent in metropolitan areas (Katz and Bradley, 2013).

Sydney has been highly ranked as an 'Alpha+ city' by the British based Globalization and World Cities Research Network, in terms of the importance of its service niches that integrate it (and Australia) to the world economy, particularly in areas like finance, as the regional headquarters of big business and in tourism, ie. largely knowledge-based service industries (Infrastructure NSW, 2011). Sydney as a base for knowledge economy is a critical factor in its success as 'global city', not a new concept but one worth remembering.

Hospers (2003) argues that knowledge economy cities are marked by the convergence of knowledge, creativity and innovation, and local governments have a role to play in creating and reinforcing conditions favourable to knowledge economies such as concentration, diversity, instability and marketing. Hospers (2003) notes the global-local paradox (ie. the importance of the local increases as globalization expands) and emphasizes the need for cities to maximise their unique aspects to enhance their localization and thereby remain relevant and competitive.

Within global Sydney's total 12,138 square kilometres, the Marrickville LGA occupies 17 square kilometres and is home to approximately 82,000 of Sydney's 4,605,992 residents. As such Marrickville Council, comprised of the former municipalities of Marrickville, St Peters and Petersham and parts of Camperdown and Newtown, is one of the 43 councils responsible for local governance in Australia's largest metropolitan area. Marrickville is also included as one of global Sydney's 18 LGAs covering the city, eastern suburbs, inner west and lower north shore.

In understanding the knowledge economy, the National Institute of Economics and Industry Research (NIEIR) report NSW Local Government Areas: Similarities and Differences prepared for the ILGR Panel through a cluster/factor analysis, discusses key indicators of the knowledge economy (NIEIR, 2013). Acknowledging that a broader range of indicators exists, NIEIR identifies patents; employment in the creative arts; post-school qualifications in society, culture or creative arts; same sex couples; proportion of jobs in professional and scientific series; and proportion of population aged 20 and over with the post-grad degree as their indicators. Marrickville appears in a cluster of councils, along with Ashfield and Leichhardt, notable for their "high arts activity, high professional employment and high level of postgraduate qualifications, a moderately high proportion of same-sex couples and moderate patent application rates... The cluster has no members outside the inner-metropolitan area. On the indicators considered, at least, the knowledge economy in New South Wales is synonymous with global Sydney" (NIEIR, 2013).

The report singles out the Marrickville LGA as containing peak arts employment in NSW, at 1.7%. A report on cultural occupations prepared by Profile ID for Marrickville Council, supports this showing that in 2011, 8.2% of Marrickville's resident population work in cultural occupations, compared to Greater Sydney's 5.5%. In terms of local employment, 11.2% of Marrickville's workers are employed in cultural occupations, compared to Greater Sydney's 5.3%, and Marrickville has clear industry specialisations in printing, film and video, music and sound recording, design, photography and creative and performing arts (Profile ID, 2014). Marrickville (and Leichhardt and Waverley) was identified as the second highest LGA with a proportion of residents with post school qualifications in society, culture or creative arts, just behind Woollahra's 35% (NIEIR, 2013).

Some studies have shown that it is not just arts that attract knowledge workers to live in particular areas but a combination of factors including strong sense of community and history, and commitment to environmental sustainability. Other factors like accessibility and connectivity are also important. Hospers (2003) writes that local government policy can affect urban creativity by affecting the underlying framework conditions as has been seen in Austin, Barcelona and Oresund. Local government organisations themselves are significant employers of knowledge workers.

This idea of 'creative cities as 'creative eco-systems' as presented by Portugal's INTELI, where local resources are also considered to include immaterial assets such 'relational-social' and 'symbolic-tangible', is worthy of consideration as an important factor in the reform process for local government in Sydney, as "life satisfaction that is not only linked to the economic dimension, but increasingly to the social, cultural and environmental dimensions of life" (INTELI, 2011).

While local government's role in facilitating and supporting environments that meet the needs of knowledge workers servicing Sydney needs more exploration, along with understanding the drivers of that economy generally, Marrickville presents an interesting case study. Over the past 15 years or so, Marrickville Council, which has great connectivity through public transport and proximity to the city, has solidly invested in community services, arts and culture, environment sustainability, celebrating diversity and creating a strong brand around community.

Healy's idea of governance as "both authoritative and generative" is helpful in conceptualising local governance's dual role (Healy, 2004). Beyond financial sustainability and efficient infrastructure delivery, local government plays a critical 'generative role' in community, cultural and environmental development that could be argued to fundamentally support the knowledge economy by creating places people want to live in, contributing to quality of life as well as contributing to local economy. Hospers (2003) identifies the importance of the urban hustle and bustle and other livability factors but also the importance of collaboration between multi-levels of government, business and community to create a framework of conditions conducive for the creativity of cities to emerge.

1.2 Inter-governmental relationships

In the Metropolitan Revolution, Katz and Bradley (2013) present Denver as a case study of how "disparate communities came to recognise themselves as part of something larger and stronger... Many of us sleep in one jurisdiction, work in another, go to movies or concerts or games in yet another, and cross countless lines on a map as we go about the business of raising families, earning money, and enjoying the countless small pleasures of the everyday. The community in which we live, big or small, is connected to many others by systems and structures that we take for granted, at least until they break down..." (p43).

Katz and Bradley (2013) are essentially describing the city as an eco-system. For Mars et al (2012), organisational eco-systems theory presents opportunities to understand "this evolving and emerging world is one of mass collaboration, co-creation, and open business models. This emerging many-to-many world, what some refer to as a network economy, is flattening organizations and economies and democratizing governance and innovation" (p271). Mars et al (2012) write that "the ecosystems metaphor is often used by scholars, business journalists and practitioners to informally describe the connections among organizations that share common or complementary features, and that motivate or facilitate some form of exchange of information and other resources. The metaphor can also be used to reference social structures that are comprised of loose and tight ties that enable or enhance the interactions among diverse organizations and actors" (p274).

It could be argued that the fundamental complexity of local government mergers and the interplay of many actors is well suited to eco-systems theory, as it presents a way to understand complex interactions and the potential of a myriad of networks, perhaps contributing to better outcomes. For Mars et al (2012) this would be best approached by trying to 'nurture' the eco-system to develop rather than be forced in existence as "organizational ecosystems are expected to develop over time, through foresight and purposeful planning, in ways that contribute to the betterment of those organizations and of society as a whole. Those organizational ecosystems that do not evolve in a manner that promotes the greater good are put in jeopardy of being eliminated or becoming obsolete... In this case, the group, rather than the individual, is the unit of natural selection. Furthermore, organizational ecosystems and the organizations within are accountable to and motivated by institutional pressures often exhibited by exogenous forces that range from cultural expectations to governmental action to economic realities. Thus, leaders must consider a multitude of factors that extend well beyond their own immediate goals and agendas when considering the position of their organizations within given networks and systems" (p279).

A major factor for local government's relationship to other levels of government is its institutional status. Tiley and Dollery (2010) note that the 2007-2008 Queensland amalgamations highlight "the vulnerability of local government in the Australian system, where one level of government was to abolish parts of another level that had been democratically elected and were viable long-term institutions". They go on to say that the forced amalgamations in Queensland, the Northern Territory and Western Australia, instigated to achieve better financial and efficiency outcomes, have been questioned by academics and local practitioners who have not found evidence of the efficiencies while communities believe they have lost identity and local level representation. Interestingly, in the Western Australian case, the authors reference WALGA's SSS report that found forced amalgamations were unlikely to achieve lasting community benefit and that the state imposed time frame of approximately 6 months did not allow councils willing to explore partnerships enough time to actually establish agreements. Subsequently, the WA Government has published its list of proposed amalgamations (Marrapodi, 2014).

Kushner and Siegal's (2003) analysis of local government amalgamations in Ontario, Canada in 1995, showed mixed results post amalgamation. They highlight that the conservative government's agenda was to achieve cost savings and service efficiencies gained through economies of scale by reducing the number of councils and councillors, but they wanted to maintain accessible representation and community identity. In the three municipalities reviewed, Kushner and Siegal (2003) show that while the number of councillors was reduced from 158 to 42, the community didn't perceive a loss in access to their local representatives but some did perceive a loss in the effectiveness of their councillor to impact on issues. The authors also found that the reduction of councillors didn't notably reduce costs.

The ILGR Panel report acknowledges that the NSW Government's relationships with local government have been less than ideal and the reform process offers an opportunity for joint strategic planning, co-operative policy development and resource sharing. Fundamental to the reform process is how local government and state government will actually work together effectively on a broad range of issues affecting metro Sydney and regional cooperation. There seems to be a lack of information from the NSW Government about how it plans to adapt as part of the reform process.

ACELG's Consolidation in Local Government report contains a key finding that Australia's capacity to manage growth and change in metropolitan areas needs attention, including local government contribution on behalf of communities in the regional and national interest. They conclude that larger local government units, collaborative planning and resources sharing are essential (ACELG, 2011).

The Director of ACELG, Roberta Ryan was quoted in The Mandarin (the online public sector journal) as saying that "amalgamations fall over as often over the implementation, over personalities and politics, as over financial problems" (Donaldson, 2014). The Denver story is an interesting example of regional cooperation where a "culture of collaboration and respect for compromise" between civic, business and community leaders that a supportive culture, in which all stakeholders are equal, assisted the elected reps to do better for their communities" and in which "self-interest gives way to the greater good, despite inherent challenges" (Katz, 2013, pp60-63). Katz and Bradley argue that the greatest example Denver sets is that of the importance and difficulty in achieving compromise but that this can be done by keeping an eye on the bigger picture. Hospers (2003) also emphasizes collaboration and cooperation to achieve the conditions favourable for creativity in knowledge economy cities. It could be said that a shared intergovernmental understanding of this bigger picture for Sydney and coordination of multi-levels of government is needed early on in the reform process.

1.3 Synergistic Partnerships

Bhatti and Hansen's (2011) research paper on the Danish amalgamations in 2007 (that saw 271 municipalities simultaneously reduced to 98 through a voluntary process in which councils selected their own partners) is of relevance Marrickville. Interestingly, the Danish councils were working towards population targets of a 20,000-30,000 residents primarily to achieve economies of scale, with the municipalities conscious of not creating "diseconomies of scale" by becoming too large. This seems comparable in the European context where average sizes are much smaller, i.e. Spain, less than 6,000; Italy, 7,500 and Norway, 12,000 (Bel and Warner, 2014), but it should be noted that the European service models are likely to differ to Australian councils. The research focused "not on whether or not to marry, but whom to marry". Bhatti and Hansen (2011) identify four hypothetical factors in the selection of partners including societal connectedness, economic homogeneity, political homogeneity and population size, with controls used for geographical factors (ie. likelihood of merging with organisation with shared boundaries). They note that size and homogeneity have traditionally been the trade off in amalgamations as larger communities can provide economies of scale but people generally prefer homogeneity in their communities.

In discussion of societal connectedness, Bhatti and Hansen (2011) identify commuting as a good indicator of where citizens are naturally oriented, as well as where there is a sense of shared community identity. Of their four hypotheses, Bhatti and Hansen found that societal connectness and population size were the two critical factors. They come to the conclusion that while perception of diseconomies of scale matter, population size and geography are more important. Societal connectness, ie. where the natural sense of community exists, was found to be the most important factor in partner selection, and further, societal connectness can actually be enhanced through mergers (2011).

The Local Government Panel Report Sunbury out of Hume City Council, prepared for the Victorian state government, addresses the desire of the Sunbury community to secede from the Hume City Council. It discusses the functional dimension of community of interest as essentially comprising the spatial patterns of movement patterns of people, including the majority of services and facilities the group uses as essential to creating a sense of belonging. Fulcher (1989) defines a community of interest as comprising 3 dimensions:

- Functional dimension, ie. the spatial patterns of movement, including commuting and the majority of services and facilities used;
- Perceptual dimension, ie. sense of belonging and community values; and
- Political dimension, ie. the ability of the elected representatives to represent community interests and reconcile conflicts.

For Fulcher (1989), a broad operational view of the concept of community of interest is essential to understanding the distinctive interests of communities and how they may be affected through boundary changes

As Katz and Bradley (2013) note “the truth is, cities and suburbs share an economy and social ties” and several studies show that there is a strong relationship between city and suburban growth. Looking at the NIEIR cluster research was interesting from this point of view. The report divides NSW council into 7 groups with members of each group sharing similar characteristics and challenges. Marrickville is listed under ‘Academically-inclined urban LGAs’, and as such is considered urban, with a growing well-educated population with a fundamental challenge of economic and social development and a trade dependence on its neighbours and the broader world (NIEIR, 2013).

In terms of the potential partners, Marrickville Council has resolved to commence discussions with Ashfield, Leichhardt, Burwood, Strathfield and Canada Bay Councils, City of Sydney, Canterbury City, Botany Bay and Rockdale councils. Of those councils, Ashfield, Botany Bay, and Sydney are also included in the ‘Academically-inclined’ category. Canada Bay and Leichardt are included in the ‘High wealth LGAs’ category; while Burwood, Canterbury, Rockdale and Strathfield are included in the ‘Multicultural LGAs’ category.

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The costs of under estimating the value of synergies can be seen in the Noosa Council secession from the Sunshine Coast council which is estimated to cost Noosa Council a minimum of \$10 million (Donaldson, 2014). As for Sunshine Coast Council, they lost about \$5.2million in developer contributions and approximately 100 jobs due to Noosa seceding, not including staff transfers to Noosa (Moore, 2013).

1.4 Community Expectations and Participation

Managing community expectations around cost savings and efficiency gains from any mergers will be an important factor affecting the community's perception of success. Understanding those expectations and how they are measured are obvious components of that management process but more than that, a fundamental respect for communities and their stories, heritage, values, needs and aspirations would contribute to the successful management of this factor.

The ILGR Panel report highlights the need for 'keeping the local' in local government and suggests establishing community boards in amalgamated areas to maintain local identity and democracy. ACELG Director Roberta Ryan says that the quality of engagement with community can affect the outcome, as communities are more likely to support change if they understand the benefits (The Mandarin, 2014).

Bel and Warner (2014) reference Bennet in distinguishing between local governments as service providers, as in southern Europe, and as enablers of local political participation, as in Nordic countries where government imposes more regulation on cooperative efforts. The ILGR Panel seems to support the reform process as creating more opportunities to work better with other players and partners to facilitate action. As such it is likely that local government will need to work with their communities and the State Government to ensure controls are set to achieve the desired outcomes. How the community is understood in this process and effectively engaged in future decision making and priority setting is an important factor.

What Oates (1999) describes the 'genius of place', ie. the immense knowledge and skill that exists at the local level, has particular potential for Marrickville (Hospers, 2003). In metro Sydney areas, leveraging business and community is likely to also mean leveraging the knowledge economy workers who are perhaps more likely to contribute to innovations in key areas such as infrastructure development. The ILGR Panel recommends community or local boards supported through a place-management staffing structure (NSW Government, 2013, p94). Local boards, which provide for more local self-determination, could also provide opportunity to leverage business and community in place-based development. Marrickville's trial of place-based planning in Dulwich Hill could be further developed into a community board structure and have potential for supporting local identities in Marrickville LGA.

1.5 Cost Savings, Financial Sustainability and Improved Services

One of the key arguments in the amalgamations debate is financial impact. Those supportive of amalgamations, notably state governments and reform panels, state that amalgamations will produce significant cost savings through streamlining the governance, management and 'back end' systems. This claim has been disputed by some local government practitioners and academics who do not believe that amalgamations will deliver much in the way of cost savings, and any gains are likely to be swamped by the costs of actually amalgamating local government areas (Dollery and Tiley 2010, Bel and Warner 2014).

In media reports discussion of the current round of Perth amalgamations, Premier Colin Barnett said the Western Australian reform process was about cost savings, in particular through reducing the numbers of elected members and chief executive officers, saving around \$50 million over 10 years, as well as better service provision through economies of scale and more consistent planning. In the same week, Professor Brian Dollery, was quoted in the Government News saying that his UNE team who have been modeling council sizes and financial scenarios for Greater Sydney found that "the proposed amalgamations will not secure enhanced financial sustainability in Greater Sydney local government" (Sansom, 2014). Dollery and Tiley (2010) in their review of Queensland, the Northern Territory and Western Australia, have also concluded that a common state or territory government theme or argument for amalgamations has been financial sustainability but they question whether mergers are essential to this goal and whether amalgamations actually produced economies of scale and/or density.

Bel and Warner (2014) note that most local government mergers have been the result of policy to reduce costs in local government but "no cost savings is the usual result found by the most robust empirical studies conducted for different countries around the world" (p2). They identify a number of factors affecting cost such as cost structures of scale and density, structure and location and the governance framework, with European studies more focused on cost savings and American studies more concerned with regional cooperation efforts. Bel and Warner (2014) make the point that "the existence of these different types of returns to scale requires one pay attention to the economic characteristic of the service, because different services will exhibit different conditions of delivery in order to exploit returns to scale" (pp7-8). Further to this, they note "contiguity of urban areas is more important in economies of density than aggregating output of discontinuous urban areas..." (p16).

Local government delivers a diverse range of services, from the traditional waste, rates and local infrastructure to newer, but equally important, services for the community, local culture and the environment. It is difficult to compare all council services with the same criteria as they have varying economic characteristics.

ILGR Panel report notes this issue was raised in submissions during their review, i.e. that amalgamations don't save money and are highly disruptive, and while acknowledging the disruption, questions the evidence of this and responds that efficiencies are possible "with careful planning" (p18). The ILGR Panel also notes that there is a general community expectation that mergers will produce cost savings and better services.

Kushner and Siegal (2003) found in their study of Ontario amalgamations that the community struggled with the loss of access of council offices, and that decentralized service centres were the most effective. They also noted that while some residents found the new amalgamated organisation to be more bureaucratic, ie. more forms and longer response times, while others didn't perceive a change. Interestingly, Kushner and Siegal (2003) show that those with a positive view of access to Council post-amalgamation had a positive view of mergers pre-amalgamation, and those with a negative view of access to Council post-amalgamation believed amalgamation was bad for the community pre-amalgamation.

In relation to corporate mergers, Gaughan notes in his book *Mergers* (2005) that "the market seems capable of determining if a deal is going to improve the merged entities" (p141). And while market forces may be of lesser significance to the local government scenario, the market is a factor also worth considering.

2. INTERNAL ORGANISATIONAL FACTORS

Cartwright and Schoenberg (2006) review 30 years of corporate mergers in Europe, America and Austral-Asia, note that the failure rate of mergers and acquisitions have remained between 44-50% over the past 30 years. In their analysis of research conducted into mergers and acquisitions over this period, they conclude that greater attention needs to be given to the organisational and process factors. Schuler and Jackson (2001), in Kavanagh and Ashkanasy (2006), “emphasize the importance of people in the process of synergy realization following a merger, indicating that a substantial number of merger failures can be traced to neglected human resources issues” (p5). Kavanagh and Ashkanasy (2006) estimate that ‘employee problems’ are responsible for between a third and a half of all merger failures and in spite of the literature little is understood about factors that have led to success. They acknowledge that most mergers are prompted by the need to increase efficiencies and reduce costs but that unless this process is well led and managed, it is quite likely to fail.

Kavanagh and Ashkanasy’s study (2006) also nicely illustrates the organisational eco-system in action, in which all factors are inter-related: “What was evident in the present study was that managers responsible for driving the merger process were not equipped with appropriate communication or change management skills to manage the merger process effectively. This led, in turn, to negative perceptions by individuals about the manner in which the process was managed and about the leaders themselves. This had consequent detrimental effects on the ability of individuals to embrace the changes required by the merger and view the ‘new organization and its culture’ in a positive manner. Appointment of a skilled change-management facilitator or champion to lead the change should occur at the start of any merger process” (p17).

In continuing with the idea of organisational eco-systems, local government amalgamations represent major and sudden change simultaneously in multiple inter-linked organisations, which are themselves composites of multiple interrelated parts and processes. So it’s not surprising that the effects of such disruption to the eco-system are felt for many years and that the general failure rate of mergers is consistently high. While the factors below are presented in a list form, the reality is, each factor is inter-related and inter-dependent.

2.1 Planning

In most of the literature reviewed and the 3 interviews undertaken, planning was a recurrent theme, along with enough time to plan well and actually follow through on implementing the plans. There are several ‘how to’ guides for merging local government areas such as those coming from Western Australia, South Australia, and more still on organisational integration.

In their book *Successful Mergers, Acquisitions and Strategic Alliances*, Gancel, Rodgers, Raynaud (2002) identify four phases of organisational integration:

1. The preparation phase
2. The transition phase which lasts about 1 year and in which people start to work together, and teams make detailed plans for business processes, resourcing, responsibilities, and differences come to light
3. The integration which takes between 2-3 years and strategies and plans are implemented as people work together more effectively supported by integrated processes
4. Consolidation after 3 years - a period of strength and stability, common ground and the emergence of a new organisational culture

Gancel et al (2002) recommend using a project management model to achieve organizational integration as it allows the right people to be involved in exploring options and defining solutions. However, care should be given to ensure that plans do not compartmentalize or oversimplify the relationships between factors as it seems a lot is still unknown about the interaction of processes in a merger that can contribute to or detract from success.

2.2 Communication and Engagement

A second common theme in the literature about merger successes and failures is communication. During times of change, peoples' needs for information greatly increases but as noted by Council's managers, different areas of the organisation will also have different communication needs at different stages in an amalgamation process.

Ivar Hafsett, Strategic Advisor Light Metals says "the biggest difficulties are on the people front, when people cannot communicate and have bad feelings. 50% of acquisitions fail because of that" (Gancel et al, 2002, p210). Failures in communication were a common culprit of organisational integration difficulties and as it seems to be so hard to get right, it warrants acknowledgment of this early on in the process.

The LGA SA identifies resourcing and communication issues as the major cause of problems or "pitfalls" including not identifying people unsupportive of change, not communicating change clearly to staff, not managing the rise of informal negative communication with open and honest communication (1996).

Information needs change at different stages of the process. Gancel et al (2002) note that during the preparation phase, the staff needs are largely emotional and therefore communication needs to be more supportive and sharing; while during the transition phase, people's needs are more balanced between emotional and cognitive and therefore communication that explains and informs is more appropriate. Once the integration phase is reached, needs are essentially cognitive, though support still needed.

Honesty in communication is another common theme, despite the difficulty of the message as it is considered easier to have difficult conversations than rebuild trust once it has been broken. This includes presenting the whole story including detail of plans including goals, policies, structures and acknowledging issues will arise to be worked through etc.

While it seems obvious, words are important because how processes and issues are described can support or detract from management credibility. Hakan Hallen at Volvo Trucks said of the merger with Renault VI/Mack that the Executive signed off on a cultural integration approach that didn't use the word 'integration' because staff didn't like it and therefore used the word 'shaping' with four main streams including leadership - specifically managers were responsible for coaching and shaping culture; creation of a common performance management system; team building; and internal communication (Gancel et al, 2002).

Internal communication strategy that identifies the key messages and people, the understanding sought and commitment to change, sharing and rewarding action, and relevant media is a critical factor.

2.3 Organisational Culture and Performance

Apart from communication, culture is the second 'soft' factor that receives a lot of attention in recent corporate mergers and acquisitions literature, but only a few paragraphs in the government literature. In terms of organisations, definitions of culture are many and contested. For the purposes of this research it is considered to be the values and behaviours of the workplace, 'how things are done', the systems and processes, practices and policies that create a sense of fairness, and who and what gets 'air time'. Essentially, it is very much linked to an organisation's brand. International mergers and integrations consultants, Pritchett (2014), say on their website that one of the biggest reasons mergers fail is due to culture not being treated with the same importance as financial and legal considerations. Pritchett (2014) conducted a nationwide research project of 133 organizations in the United States and found that while executives talk about the importance of culture only 4% include it in their due diligence checklist and only 5% conduct a cultural auditing process, most of which are done too late and without enough rigour to be of assistance to integration.

Cartwright and Schoenberg link organisational culture, or identity, and staff performance. They note that "according to Gertsen and Soderberg (1998), in mergers and acquisition situations, the discourse around cultural differences is a vehicle by which employee groups assert the distinctiveness of their social identities. Such observations highlight the notion that mergers and acquisitions pose a potential threat to workers' social as well as security needs..." (p6). Haslam and Ellemers have found "a growing body of research evidence which has shown in a variety of work contexts that high levels of employees' social identification with the organization's identity result in increased work effort, higher performance, reduced staff turnover and more frequent engagement in positive organizational citizenship behaviours" (Cartwright and Schoenberg, 2006, pp6-7).


The interaction of organisational culture, identity and performance is a likely factor affecting success. In considering Marrickville's likely partners, most of which are large councils, it is reasonable to think that Marrickville's organisational culture that is strongly linked to its community culture, will change in the creation of a new merged organisational (and community) culture. It is also reasonable to expect that the transition period to a new identity and culture, careful management will be needed to ensure performance is maintained.

Kavanagh and Ashkanasy (2002) echo Michela and Burke in writing that "to change culture, one must first understand it" (p4). Gancel et al (2002) describe organisational cultures as an iceberg, with the explicit obvious to the eye and the implicit under the water level. They stress the importance of understanding the implicit as drivers of behaviour. For them, the majority of integration management models don't include culture but they believe culture is the primary element of successful organisational integration and companies that don't include a process for 'culture bridging' can be locked into a perpetual transition phase, never achieving effective integration.

Stahl and Voigt (2005) echo Gancel and Raynaud (2002) in finding that "...although task integration and socio-cultural integration are conceptually distinct, they are not independent of one another. Aspects of socio-cultural integration such as employee commitment, trust, and shared identity facilitate the transfer of strategic capabilities and resource sharing (Birkinshaw et al., 2000). Successful task integration, in turn, is likely to enhance employee satisfaction" (p71).

Gancel et al (2002) present a diagnostic tool called 'Culture Bridging Fundamentals' to understand each culture to be integrated by identifying "flashpoints" that can enable and disable successful integration. It provides a common language for discussion and understanding between partners and is based on three basic organisational cultural styles, conceptual, pragmatic and relational, which the authors believe are preferences by organisations, neither better than another. Gancel et al (2002) describe the preferences as:

- conceptual - "the head" - rational, thought through
- pragmatic - "the muscle" - decisive and goal focused
- relational - "the heart" - traditional and relationships driven



The cultural audit, comprised of questionnaires, individual interviews and focus groups, creates a cultural map that can be used to ensure successful integration by limiting the potential for misunderstandings and defensiveness, i.e. 'culture clashes'. Gancel et al (2002) believe that the cultural audit usually brings up issues in three areas: business practices, human resources and communications and that the information gathered can be used to adapt systems and processes, such as recruitment, remuneration, performance management etc by understanding expectations and issues. They also believe that cultural auditing reduces tensions by demonstrating leadership interest in people's points of view and validates a range of perspectives as part of the decision making processes.

Torben Laustsen said of Nordea's merger with Merita Nordbanken that they started with values, the management having "spent a lot of time testing and discussing values and vision: what were our common values and where did we differ in opinion? What were our common Nordic culture and values? How did we view our common Nordic future?" (Gancel et al, 2002, p215). Following this the companies found synergies and then designed the new organisation. He credits this approach as achieving commitment and buy-in through the establishment of a common frame of reference. This example illustrates that understanding cultures can be used in the creation of new organisational values and to direct communications, so that the messages are tailored to a range of audiences within an organisation.

One of the major articulations of culture is the organisational values and, consequently, the development of shared values early in an integration process is a key factor for consideration. In establishing a new organisational culture, Gancel et al (2002) recommend establishing a common external focus. As their book is about corporate mergers, they recommend finding the 'common enemy' that staff can unite around. Perhaps in the local government context the common external focus for staff could be the new community.

2.4 Leadership and People

Leadership, and its skill and credibility, was another theme in the literature reviewed. Leadership could be considered, at its essence, to be a process of social influence through which individuals feel included, supported and reinforced. This process is intensified during times of change, where leadership abilities are more critical. The loss of management credibility during intense change can more easily create distrust, cynicism and low morale that will in turn undermine communication and engagement processes being undertaken.

Kavanagh and Ashkanasy conducted a 6 year longitudinal study of the effect of leadership and change management on mergers at three large multi-site public-sector organisations that included the viewpoints of individual staff members. In looking at the effect of leadership, change and management on the merger process, they conclude that:

- how leaders manage the process will have a significant effect on the outcome
- communication and transparency are key factors affecting not only the success of leaders in the process but who is actually considered to be a leader in the organisation
- to lead staff effectively through a merger process, leaders must be competent and trained in change management processes to create positive cultural change and minimise resistance amongst staff
- different groups of individuals may perceive the merger differently (ie accepting or resisting) with consequent implications for the way leadership during the merger is viewed

Leadership implies people, and people and their performance is arguably one of local government's primary assets.

Cartwright and Cooper have suggested "that it is important that employees at all levels become involved in the integration or change. One of the most common difficulties stems from what might be called 'cultural differences'. Cartwright and Cooper further suggest that concentrating efforts at senior management level only can lead to the emergence of several cultures throughout the organization, cultural collisions and slow cultural adaptation within the organization" (Kavanagh and Ashkanasy, 2006). More than this, Kavanagh and Ashkanasy (2006) note that "managers will need to be skilled in relinquishing and helping others relinquish past values that are not in tune with the current, shared vision of future organizational arrangements (Whitely, 1995). And further, "individuals need to be involved in order to verify for themselves the validity of the new beliefs and values, to examine consequences for themselves as an individual and, to explore how they personally can contribute to the change effort (Zammuto, Gifford and Goodman, 2000)" (p6).

Two of the staff interviews undertaken as part of the research were with people who had direct involvement in mergers, one corporate in 2006 and the other through the 2007-2008 forced Queensland local government amalgamations. Both staff had been employed in middle management positions and had observed little planning in the lead up to the actual merger date and described the process as 'top down'. They both identified low morale as an issue. In summary, the factors in the corporate mergers staff experience was pre-planning with sufficient time, communications, understanding of cultures, systems and processes, and use of the project management model to manage change and engage staff. These are also points of convergence with the literature reviewed.

The third staff interview was with someone who had been previously employed to facilitate corporate acquisitions. The staff member said that their key objective was to avoid anti-synergies as this was what would cause an acquisition to fail. 'Anti-synergies' were described as "differences so great", and examples included lack of controls, planning and business practices. Cultural differences were reported to be the biggest issue, ie. "when people just didn't get it."

Kavanagh and Ashkanasy recommend:

- Careful selection of the method to manage the merger and develop a new culture following the merger
- Establishment of effective communication channels at all levels to inform people of processes, steps and outcomes
- Selection of willing partners before tackling more difficult partners who will need more consultation time
- Leading in a positive and respectful manner, that recognizes change is a difficult process
- Kavanagh and Ashkanasy (2002) also note that “in most mergers, change is often imposed on the leaders themselves. Despite this, leaders must act as agents of change (Van Knippenberg and Hogg, 2003) prompting others to follow. Champy (1995) notes that successful re-engineering requires that managers ‘discard the fantasy of a corporate culture of reflexive obedience and undertake the hard work of creating a culture of willingness and individual accountability’” (p19).

CONSIDERATIONS FOR MARRICKVILLE

In considering the themes and factors in the literature and staff interviews as they relate to the Marrickville context, this section attempts to provide some considerations specific to Marrickville. They are presented as factors external and internal to Marrickville Council as an organisation.

1. External Factors Likely to Affect Success

1. Community

- Understanding of Marrickville's community of interest, ie. 'natural sense of community'
- Establishment of synergies and communities of interest to achieve the best 'fit for local communities' and their governance
- Management of community expectations regarding cost savings and better service delivery
- Management of community expectations around local identity, representation and engagement

2. Governance and intergovernmental relationships

- Contribution to the development of the new model of metropolitan governance
- Establishment of a regional perspective on significant issues such as governance, resource sharing, social and cultural programs, environmental sustainability, affordable housing and transport and economic development
- Establishment of functional intergovernmental relationships, particularly between councils and the NSW Government
- Understanding of and support for local government's 'generative' role in communities, balancing attention on financial sustainability and infrastructure provision with community and cultural factors

3. NSW local government reform process and timing

- Sufficient time to broker partnerships that meet Fit For the Future guidelines and provide a good cultural fit by 30 June 2015

2. Internal Organisational

1. Planning

- An integration plan that recognises the complexity of the organisational eco-system and work with the interconnections and networks that exist within the organisation, between organisations and the industry
- Realistic expectations about the time required for the transitioning process, including the various stages, milestones, and alignment of people, systems and processes and eventual adaptation to a new way of working
- Understanding of the level of integration being sought in various parts of the business and the changes required
- Use a project management approach to integration, with milestones, deliverables, resources, staff delegations
- Development of horizontal teams to engage around shared work areas to solve business problems and actively participate in the service delivery models for the new integrated organisation
- Documentation of the processes, with baselines set before commencement, measurable targets etc, to contribute to the understanding of local government amalgamations and their effectiveness

2. Communication and engagement

- Communication and engagement strategies informed by the cultural audit, based on honesty and transparency, and focused on the creation of shared understanding
- Effectively working with change agents at all levels, including elected members, senior management, union representatives, community leaders, informal staff leaders and consultants

3. Culture and performance

- Understanding organisational culture and its nuances, histories, communications and 'how things are done', through a cultural auditing process
- Understanding how cultural information will be used to inform communication and engagement strategies, values and human resources issues
- Understanding differences by including culture in due diligence checklists
- Understanding how to transition to a new shared culture, including articulation of the new culture through the organisational vision, goals and values, and the creation of a new common history through telling new shared stories

4. Leadership and people

- An executive management team with a clear external focus, i.e. the delivery of the reform process to the benefit of the community
- Effective leaders at all levels who are committed to the process and trained in change management
- Engaging staff in the development of a new vision, goals and values to ensure shared purpose and direction
- Staff with some level of training in the change process so that they're prepared for change
- Clearly understood systems and processes, particularly in relation to human resources
- Celebration of successes

3. Recommendations for Additional Research

- As noted above, the information available on amalgamations of metropolitan councils was somewhat limited, especially within the Australian context. Future research that could assist Council in building its evidence base, and move forward, should amalgamations occur, includes:
- Understanding Marrickville's 'natural sense of community' and how best to deliver optimal synergies, ie. through further research into services use, including shopping patterns, library and club memberships
- Impacts on local government by Australian metro amalgamations, including effects on local representation, effects on local service delivery and resident satisfaction; and how the impacts have been mitigated, for example Darebin Council in Melbourne
- Fuller understanding of the economic drivers of the knowledge economy and metropolitan councils' role in supporting and facilitating, beyond financial sustainability and infrastructure provision.

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October 2014

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Marrickville Council
**2014 COMMUNITY
SATISFACTION
SURVEY**

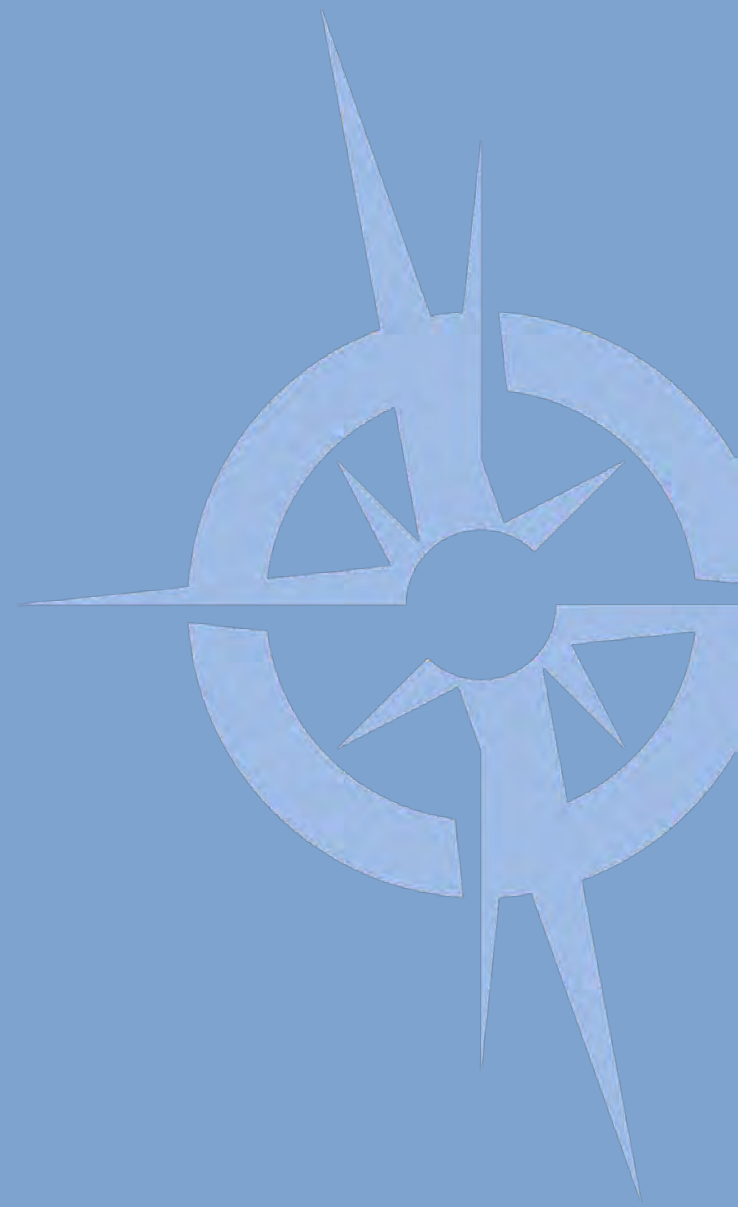
Attachment 7

Marrickville Council 2014 Community Survey

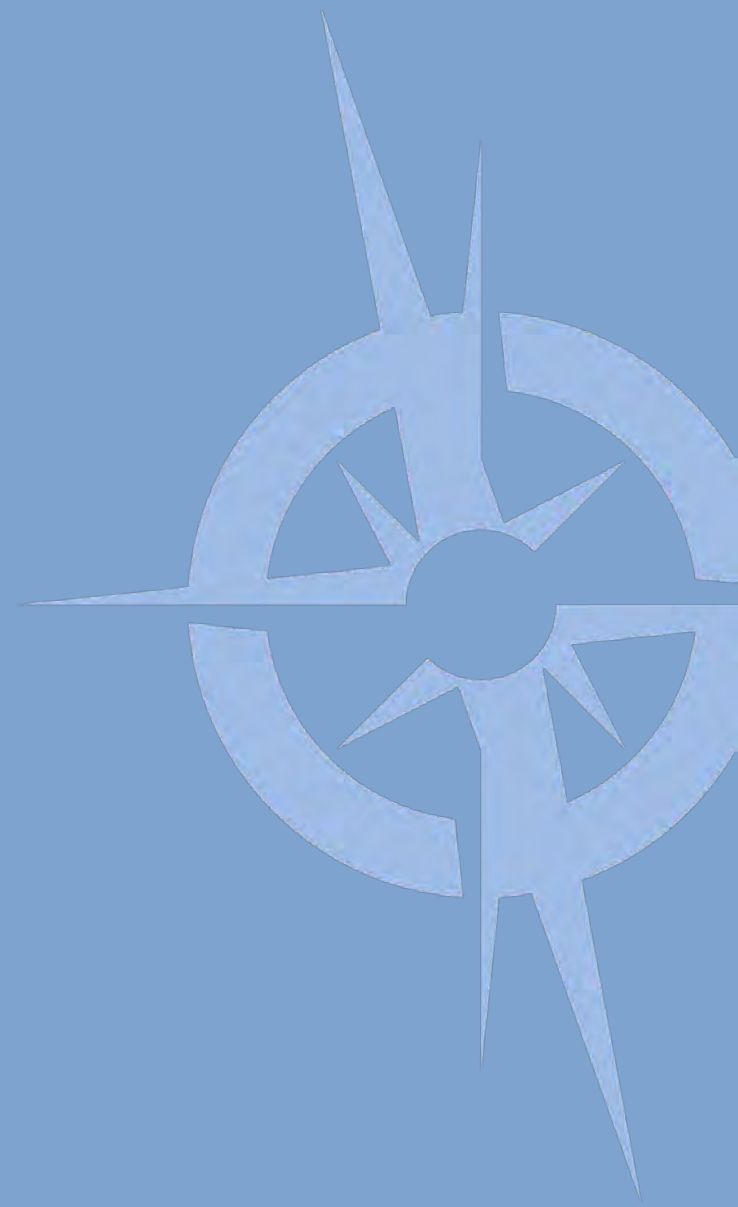
Presentation of Key Findings

Prepared by: Micromex Research

Date: September 2014



Background & Methodology



Background & Methodology

Marrickville Council sought to examine community attitudes and perceptions towards current and future services and facilities provided by Council. Key objectives of the research included:

- To assess and establish the community's priorities and satisfaction in relation to Council activities, services and facilities
- To identify the community's overall level of satisfaction with Council's performance
- To understand and measure community response to a series of long term Council resourcing options

To facilitate this, Micromex Research was contracted to develop a survey template that enabled Council to effectively analyse attitudes and trends within the community.

Questionnaire

Micromex Research, together with Marrickville Council, developed the questionnaire. The survey was conducted by telephone with n=601 households.

Data collection period

The survey was conducted during the period 16th to 26th July 2014 from 4:30pm to 8:30pm, Monday to Friday and from 10am to 4pm Saturday.

Who responded?

Residents of Marrickville Council Local Government Area. The respondent demographics accurately reflected your community.



We Explored Resident Response To 37 Service Areas

Supporting and Connecting our Community

- Quality of community events, celebrations, festivals performances and exhibitions
- Provision of community venues for meetings, classes and events
- Provision of arts and cultural facilities
- Provision of sporting and recreation facilities
- Provision of recreation programs and services
- Provision of services for older residents
- Provision of services for children
- Provision of services for youth
- Programs and services to support the needs of people with a disability
- Programs and services to help address inequality in the community
- Providing and operation libraries and history services
- Support of local business

Valuing and Caring for Our Environment

- Maintenance of parks and playgrounds
- Providing natural areas and green spaces
- Support for environmental initiatives
- Restoring the Cooks River and its foreshores

Leading an Effective Collaborative Council

- Informing the community about its activities and services
- Communicating effectively with culturally diverse communities
- Access to Council information and Council support
- Consulting effectively with the community
- Long term planning for Marrickville
- Community input to Council decision-making
- Council acting on behalf of the community's needs and expectations

Integrating Our Built Environment

- Maintaining local roads
- Maintaining footpaths
- Landscaping and greening of local streets
- Providing adequate drainage and flood controls
- Ensuring that new developments maintain or enhance their surroundings
- Ensuring that new developments protect and preserve local heritage
- Management of parking in shopping areas
- Management of traffic in residential areas
- Management of street parking in residential areas
- Provision of facilities for cycling
- Monitoring of health and safety standards in local entertainment and eating places
- Domestic waste and recycling services
- Street cleaning and litter control
- Removal of unauthorised graffiti and bill posters



How To Interpret Rating Scores

Ratings questions

The Unipolar Scale of 1 to 5 was used in all rating questions, where 1 was the lowest importance or satisfaction and 5 the highest importance or satisfaction.

This scale allowed for a mid range position for those who had a divided or neutral opinion.

1.99 or lower	'Very low' level of importance/satisfaction
2.00 – 2.49	'Low' level of importance/satisfaction
2.50 – 2.99	'Moderately low' level of importance/satisfaction
3.00 – 3.59	'Moderate' level of importance/satisfaction
3.60 – 3.89	'Moderately high' level of importance/satisfaction
3.90 – 4.19	'High' level of importance/satisfaction
4.20 – 4.49	'Very high' level of importance/satisfaction
4.50 +	'Extreme' level of importance/satisfaction

Only respondents who rated services/facilities a 4 or 5 in importance were asked to rate their satisfaction with that service/facility



Stated vs. Derived Analysis

We use 2 layers of analysis - To cover both the overt and covert needs of the community

1. Stated – Performance Gap & Quadrant Analysis

People rate all services/facilities in terms of importance and satisfaction. However the issue with 'stated outcome' questions, people do not differentiate very much between the importance of different items (e.g. everything is important), therefore, outputs based on stated importance questioning lack sensitivity in identifying actual hierarchies/priorities between attributes

2. Derived – Regression Analysis

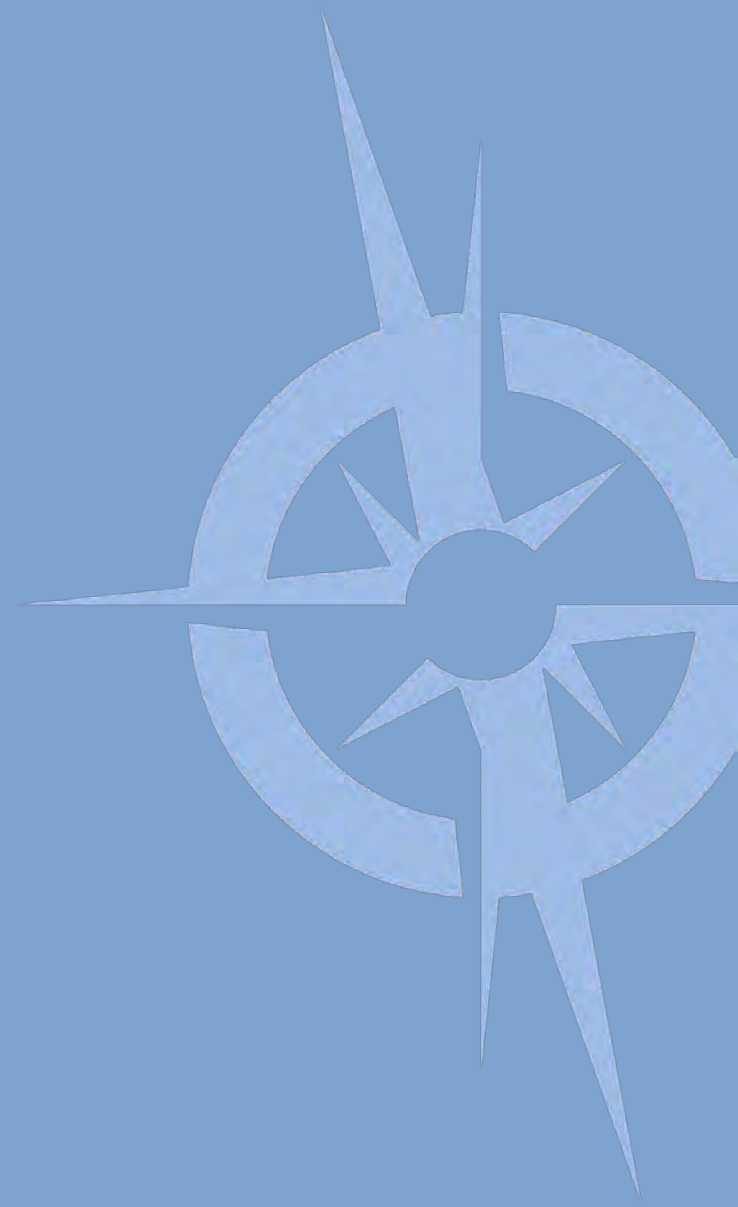
The regression analysis identifies the underlying drivers of overall satisfaction with Council. When we have compared the results of the specialised analysis versus a standard importance scale question they do not always correlate.

The learning provided from this analysis is that if councils solely rely on the stated community priorities they may not be allocating the appropriate resources to the actual service attributes that will improve overall community satisfaction with council.



Consideration should be given to both forms of analysis; but priority should be given to the outcomes of the regression analysis

Key Findings



Summary of Results

The key stated issues facing the local community revolve around the controls on local development and also traffic management.

Marrickville Council is performing well:

- Overall satisfaction with Council is very high
- Council's image within the community has also improved since 2012 and remains strong
- Across the 37 business areas explored, Council is providing at a least a moderate level of satisfaction for 30 of them

Significantly to note, while overall satisfaction has remained strong and image has improved there has been a general decline in resident satisfaction across 22 of the 37 business units.

⇒ ***Why has overall satisfaction remained consistent while at a business unit level resident satisfaction has declined? This is an indication that external factors beyond the scope of this research have enabled the Council's brand to remain buoyant based on issues outside of performance. i.e. the values and vision and communications of the organisation***



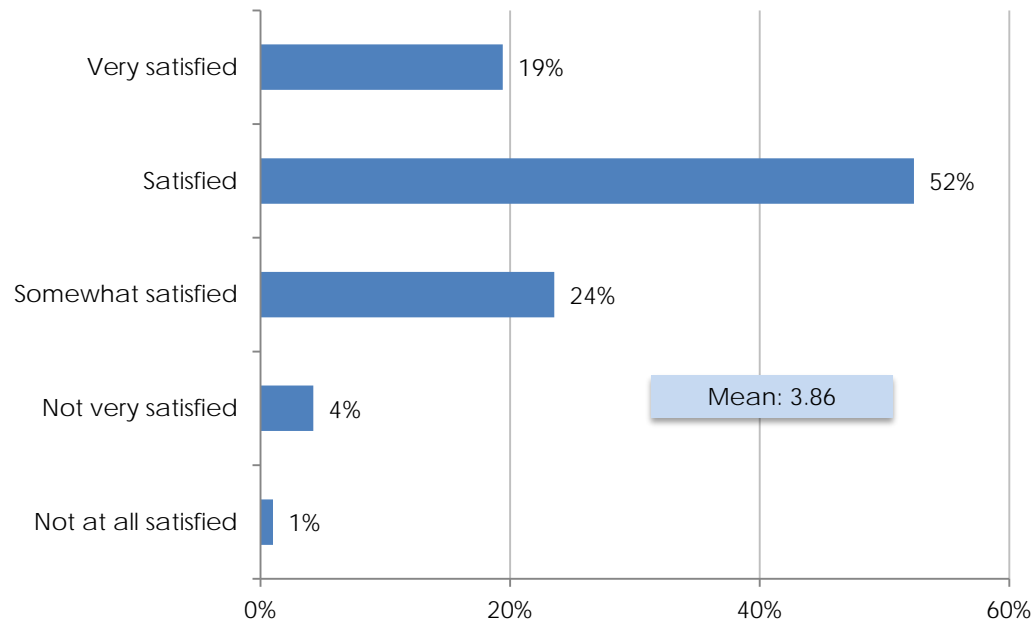
Overall Satisfaction with Council

	18 - 34	35 - 49	50 - 64	65+	Male	Female	English	Other
Satisfaction mean ratings	3.74	3.89	3.85	4.06▲	3.82	3.90	3.88	3.78

	Marrickville 2012	Marrickville 2014	NSW 2014 LGA Benchmark
Satisfaction mean ratings	3.78	3.86▲	3.50▼

Scale: 1 = very dissatisfied, 5 = very satisfied

▼▲ = A significantly lower/higher level of satisfaction (by group)



Q. Overall, for the last 12 months, how satisfied are you with the performance of Marrickville Council, not just on one or two issues, but across all responsibility areas?

Base: n=601

Overall satisfaction with Council's performance is above the Micromex NSW LGA Benchmark, with 95% of residents at least 'somewhat satisfied' with Council.



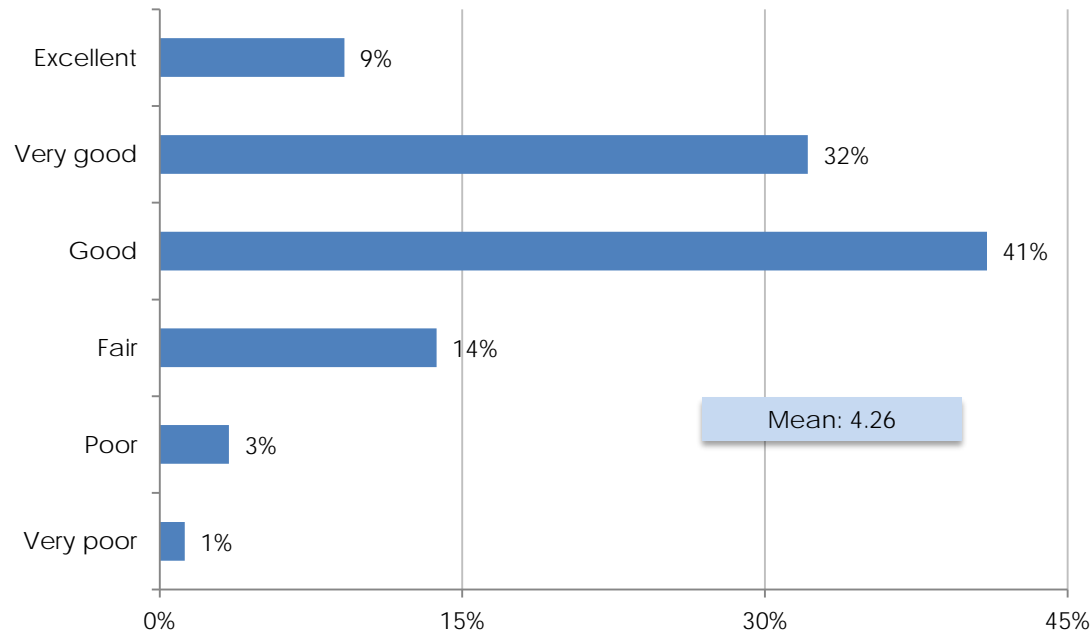
Council's Image within the Community

	18 - 34	35 - 49	50 - 64	65+	Male	Female	English	Other
Mean ratings (6 point scale)	4.30	4.29	4.15	4.26	4.25	4.27	4.29	4.15

	Marrickville 2012	Marrickville 2014
Mean ratings (6 point scale)	4.08	4.26▲

Scale: 1 = very poor, 6 = excellent

▼▲ = significantly lower/higher (by group)



Q. Overall, how would you rate Council's image within the community?

Base: n=601



82% of residents rated the Council's image as 'good' to excellent' – this result is significantly higher than in 2012

LGA Benchmarks

Service/Facility	Marrickville 2014 Satisfaction Scores	Satisfaction Benchmark
Above the Benchmark		
Domestic waste and recycling services (benchmark for waste)	4.1	3.8
Domestic waste and recycling services (benchmark for recycling)	4.1	3.2
Overall satisfaction with the way contact was handled	4.0	3.9
Overall satisfaction with Council	3.9	3.5
Maintenance of parks and playgrounds	3.8	3.5
Providing and operating libraries and history services	3.6	3.5
Informing the community about its activities and services	3.4	3.3
Support for environmental initiatives	3.4	3.3
Support of local business	3.3	3.2
Long term planning for Marrickville	3.2	3.1
Maintaining local roads	3.1	2.8
Equal to the Benchmark		
Provision of sporting and recreation facilities	3.6	3.6
Provision of services for youth	3.2	3.2
Maintaining footpaths	3.0	3.0
Management of parking in shopping areas	3.0	3.0
Below the Benchmark		
Providing adequate drainage and flood controls	3.3	3.5
Provision of community venues for meetings, classes and events	3.3	3.5
Programs and services to support the needs of people with a disability	3.2	3.5
Provision of services for older residents	3.1	3.5
Consulting effectively with the community	3.1	3.3
Provision of arts and cultural facilities	3.1	3.4
Provision of facilities for cycling	2.9	3.1
Ensuring that new developments protect and preserve local heritage	2.9	3.5
Community input to Council decision-making	2.9	3.0
Management of street parking in residential areas	2.8	3.0

Of the 25 measurable services and facilities, 11 ranked higher than the benchmark, 4 equal to with the remaining 10 falling below the satisfaction benchmark



Key Importance Trends

Compared to the previous research conducted in 2012, there was a significant increase in residents' level of importance with 15 of the 37 services and facilities provided by Council, this was:

- Providing and operating libraries and history services (4.28 cf. 4.05)
- Programs and services to support the needs of people with a disability (4.09 cf. 3.79)
- Provision of services for children (3.96 cf. 3.55)
- Provision of sporting and recreation facilities (3.96 cf. 3.81)
- Programs and services to help address inequality in the community (3.90 cf. 3.77)
- Provision of services for older residents (3.69 cf. 3.31)
- Quality of community events, celebrations, festivals, performances and exhibitions (3.57 cf. 3.32)
- Provision of recreation programs and services (3.50 cf. 3.08)
- Provision of community venues for meetings, classes and events (3.30 cf. 3.10)
- Maintenance of parks and playgrounds (4.56 cf. 4.36)
- Providing natural areas and green spaces (4.52 cf. 4.38)
- Restoring the Cooks River and its foreshores (4.32 cf. 4.17)
- Council acting on behalf of the community's needs and expectations (4.31 cf. 4.08)
- Access to Council information and Council support (4.19 cf. 4.03)
- Communicating effectively with culturally diverse communities (3.95 cf. 3.66)



Key Satisfaction Trends

Compared to the previous research conducted in 2012, there was a significant increase in residents' level of satisfaction with 1 of the 37 services and facilities provided by Council, this was:

- Provide adequate drainage and flood controls (3.27 cf. 2.98)

Also, there was a decrease in residents' level of satisfaction with 22 of the 37 services and facilities provided by Council that declined. These include:

- Programs and services to support the needs of people with a disability (3.17 cf. 3.36)
- Provision of services for children (3.45 cf. 3.76)
- Provision of sporting and recreation facilities (3.57 cf. 4.00)
- Programs and services to help address the inequality in the community (3.14 cf. 3.47)
- Provision of services for youth (3.18 cf. 3.36)
- Provision of services for older residents (3.13 cf. 3.53)
- Support of local business (3.26 cf. 3.55)
- Quality of community events, celebrations, festivals, performances and exhibitions (3.55 cf. 3.90)
- Provision of arts and cultural facilities (3.07 cf. 3.37)
- Provision of community venues for meetings, classes and events (3.25 cf. 3.67)
- Restoring the Cooks River and its foreshores (3.23 cf. 3.36)
- Support for environmental initiatives (3.35 cf. 3.51)
- Council acting on behalf of the community's needs and expectations (2.96 cf. 3.14)
- Community input to Council decision-making (2.92 cf. 3.08)
- Access to Council information and Council support (3.45 cf. 3.68)
- Consulting effectively with the community (3.11 cf. 3.28)
- Informing the community about its activities and services (3.39 cf. 3.61)
- Communicating effectively with culturally diverse communities (3.43 cf. 3.72)
- Street cleaning and litter control (3.60 cf. 3.73)
- Ensuring that new developments maintain or enhance their surroundings (2.81 cf. 3.04)
- Ensuring that new developments protect and preserve local heritage (2.93 cf. 3.20)
- Monitoring of health and safety standards in local entertainment and eating places (3.51 cf. 3.63)



Performance Gap Analysis (PGA)

PGA establishes the gap between importance and satisfaction.

This is calculated by subtracting the mean satisfaction score from the mean importance score.

The higher the differential between importance and satisfaction, the greater the difference is between the provision of that service by Type Council Name and the expectation of the community for that service/facility.



Summary of Performance Gap Analysis (PGA)

Ranking	Service/Facility	Importance Mean	Satisfaction Mean	Performance Gap
1	Ensuring that new developments maintain or enhance their surroundings	4.34	2.81	1.53
2	Ensuring that new developments protect and preserve local heritage	4.31	2.93	1.38
3	Council acting on behalf of the community's needs and expectations	4.31	2.96	1.35
4	Maintaining footpaths	4.35	3.02	1.33
5	Management of street parking in residential areas	4.11	2.81	1.30
	Community input to Council decision-making	4.22	2.92	1.30
7	Maintaining local roads	4.36	3.07	1.29
8	Long term planning for Marrickville	4.37	3.15	1.22
	Management of traffic in residential areas	4.17	2.95	1.22
10	Restoring the Cooks River and its foreshores	4.32	3.23	1.09
11	Consulting effectively with the community	4.19	3.11	1.08

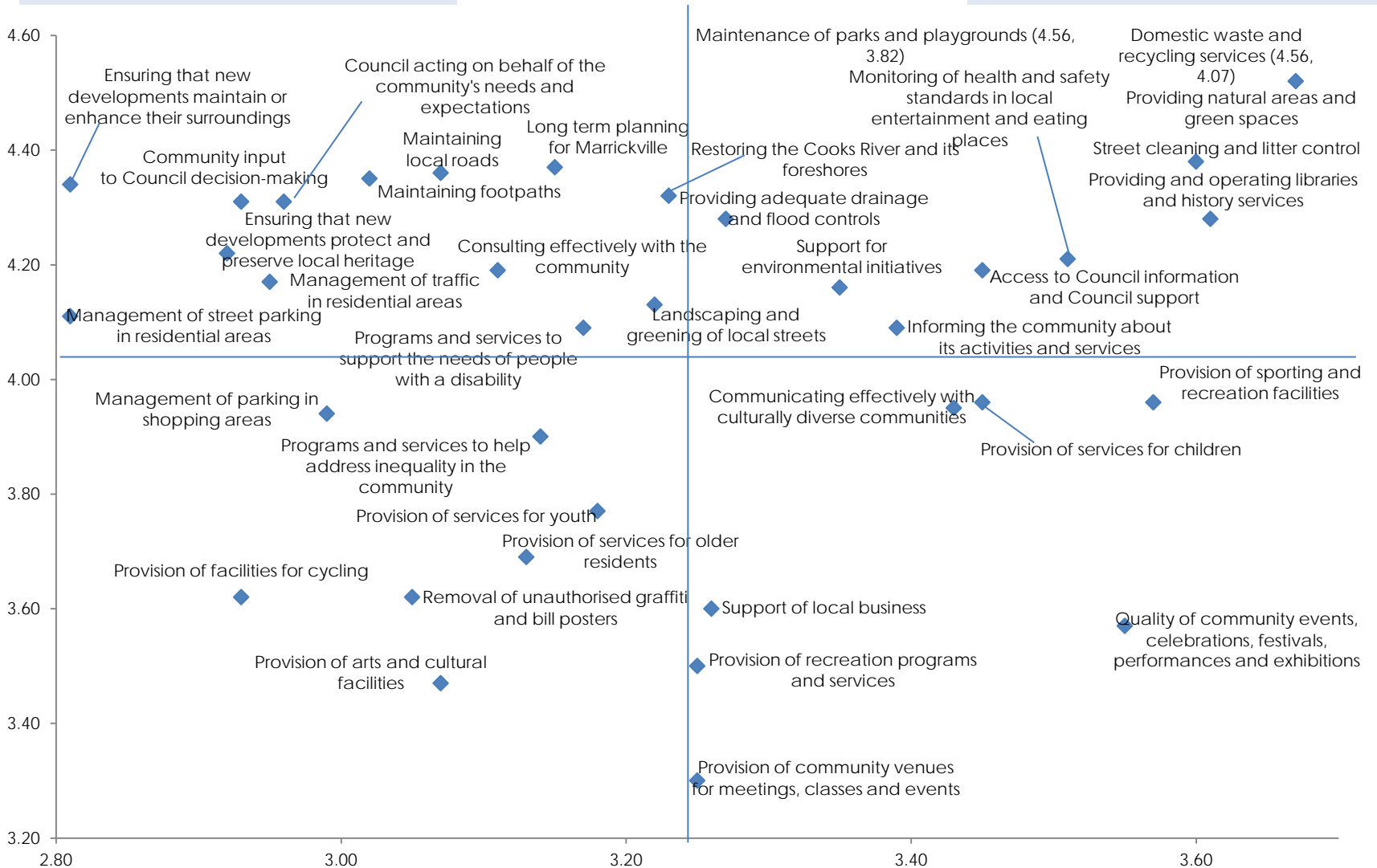


Quadrant Analysis – Importance v Satisfaction

Improve
Higher importance, lower satisfaction

Maintain
Higher importance, higher satisfaction

Importance



Niche
Lower importance, lower satisfaction

Satisfaction

Secondary
Lower importance, higher satisfaction

Shapley Value Regression

This model was developed by conducting specialised analysis from over 30,000 LGA interviews conducted since 2008.

The outcomes proved that increasing resident satisfaction by actioning the priorities that they stated as being important does not necessarily positively impact on overall satisfaction with the Council.

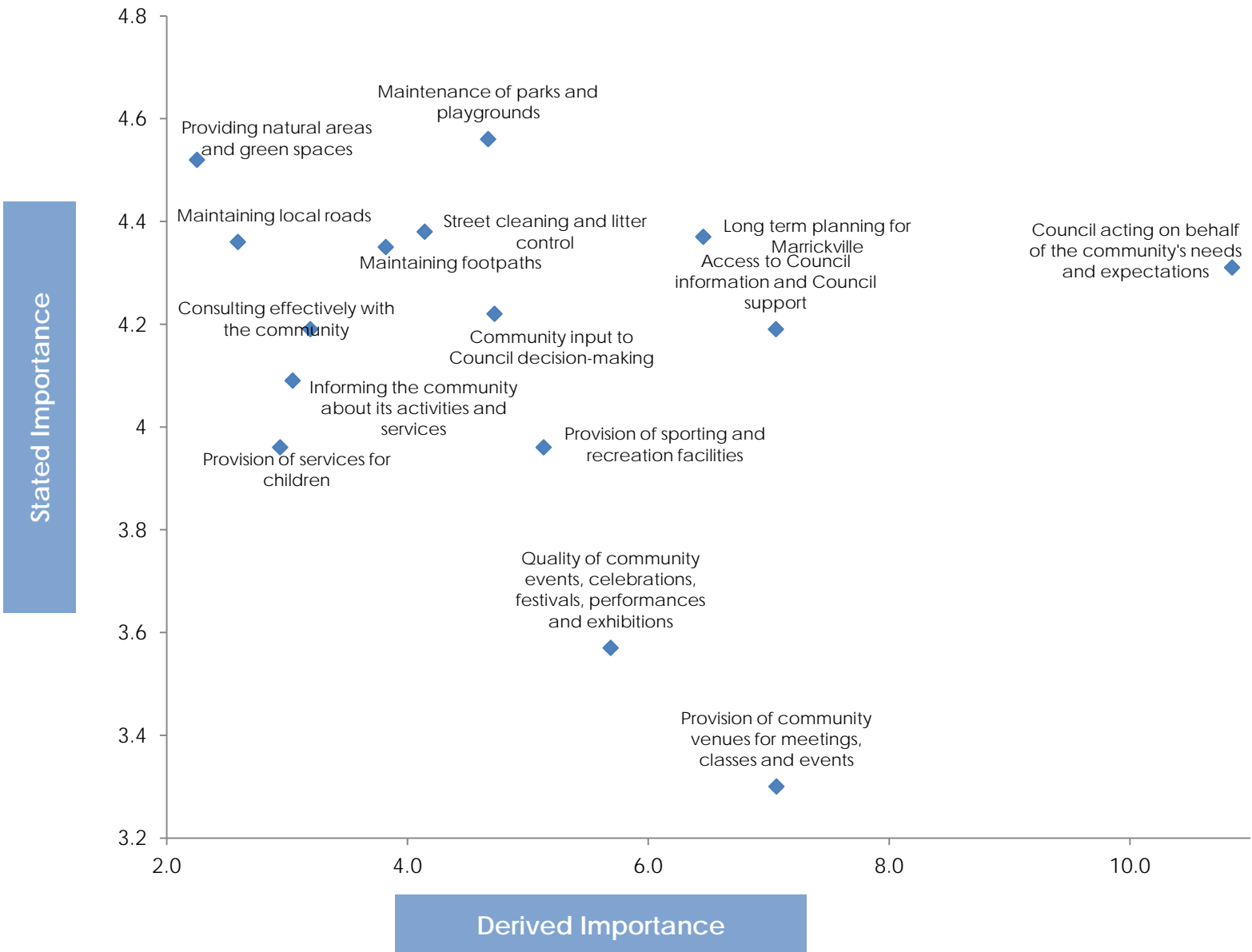


Over 40 unique LGAs since 2010, 60 community surveys

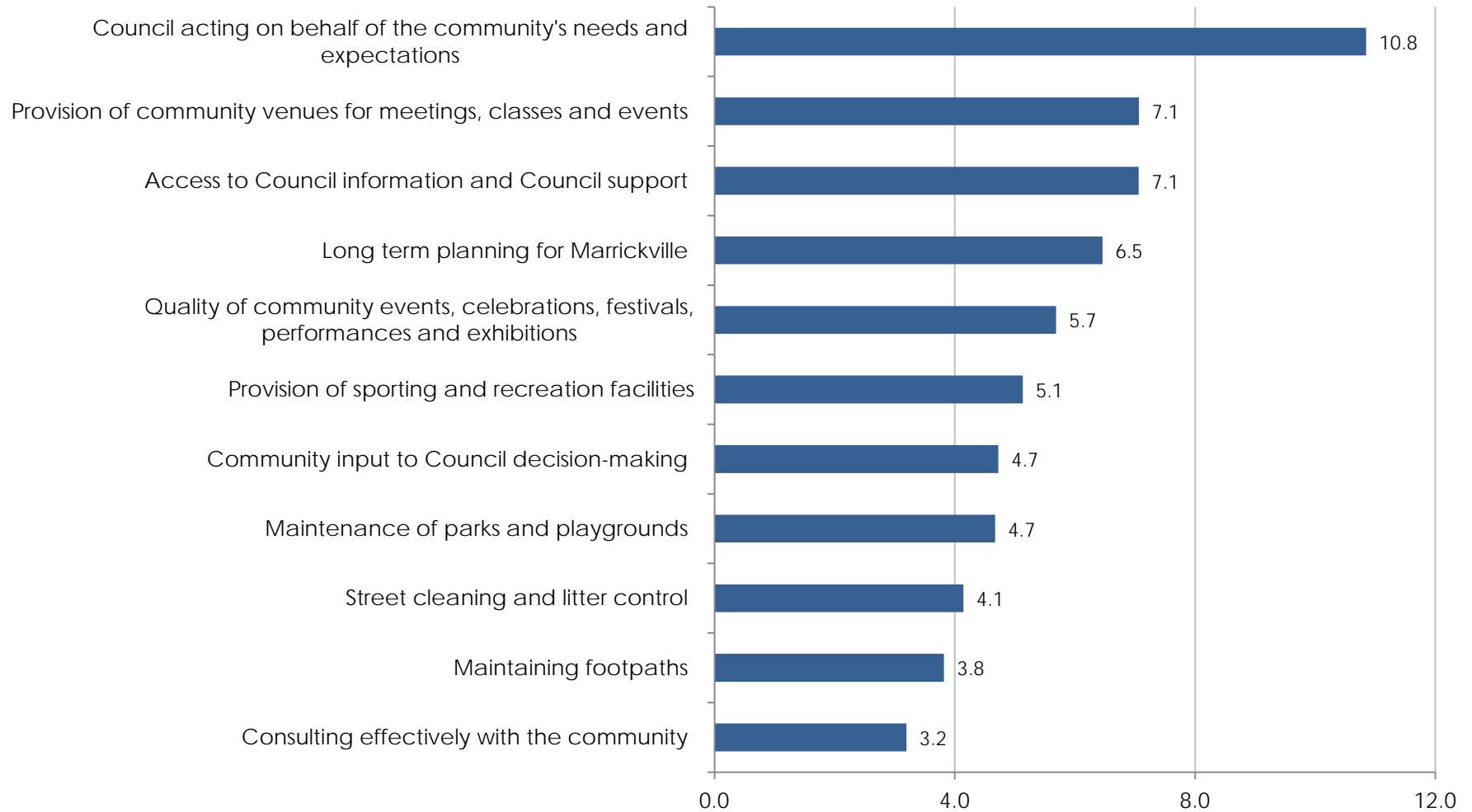


Correlation Between Stated Importance and Derived Importance is Low

If you only focus on stated importance, you are not focusing on the key drivers of community satisfaction



These Top 11 Indicators Contribute To Over 60% Of Overall Satisfaction With Council



The contributors to satisfaction are not to be misinterpreted as an indication of current dissatisfaction





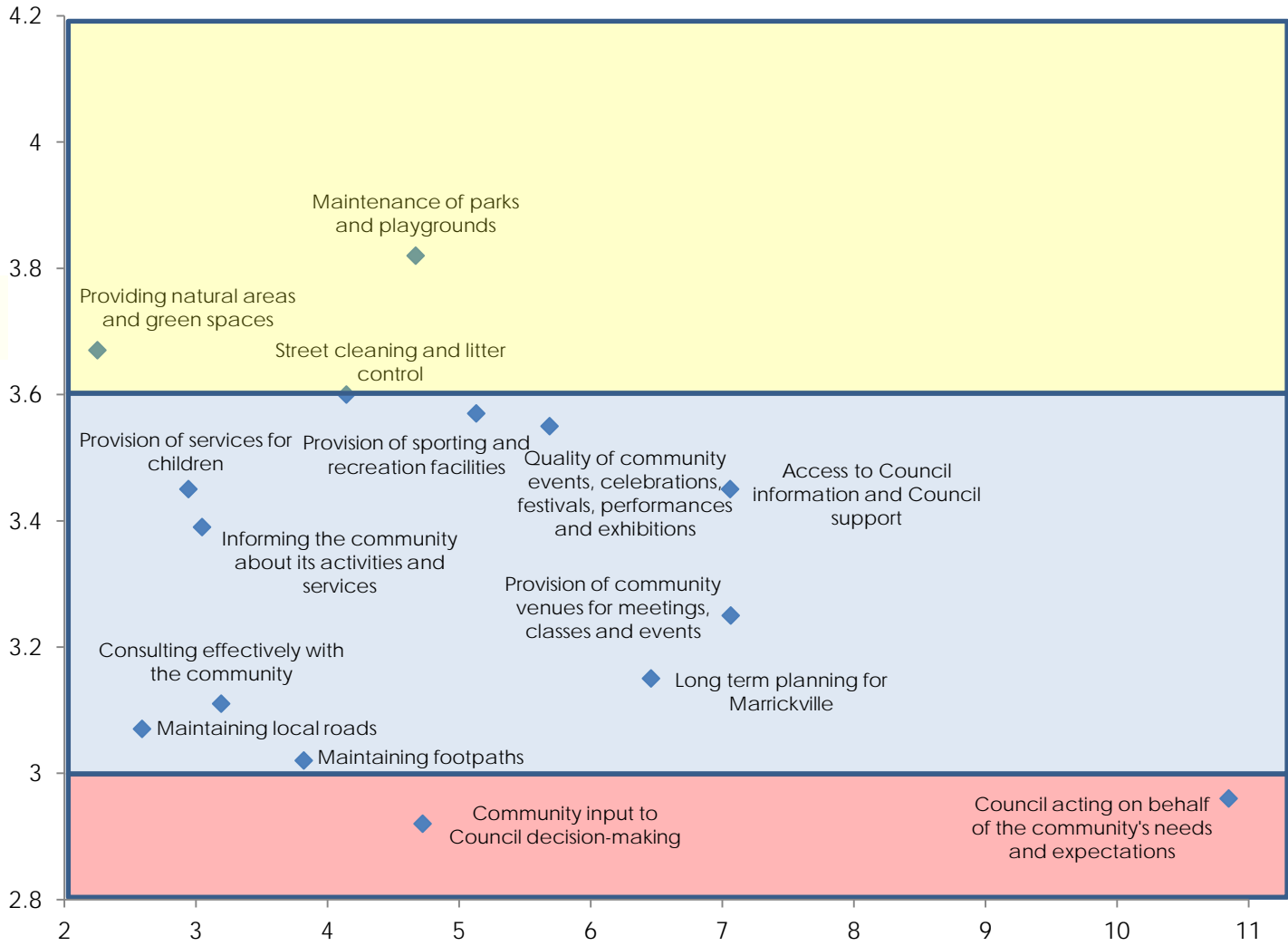
Mapping Stated Satisfaction and Derived Importance Identifies the Community Priority Areas

Stated Satisfaction Mean score

Moderately High Satisfaction+ > 3.6

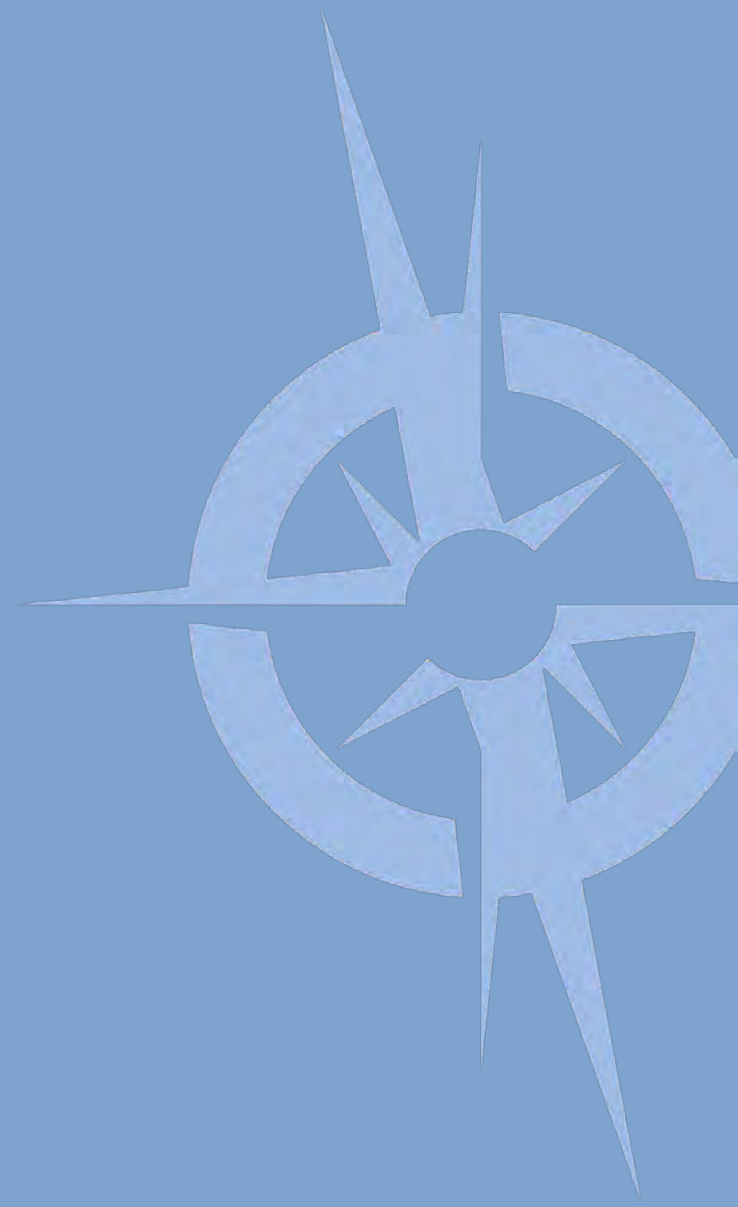
Moderate Satisfaction 3.0-3.59

Low Satisfaction <3.0



% Derived Importance

Recommendations

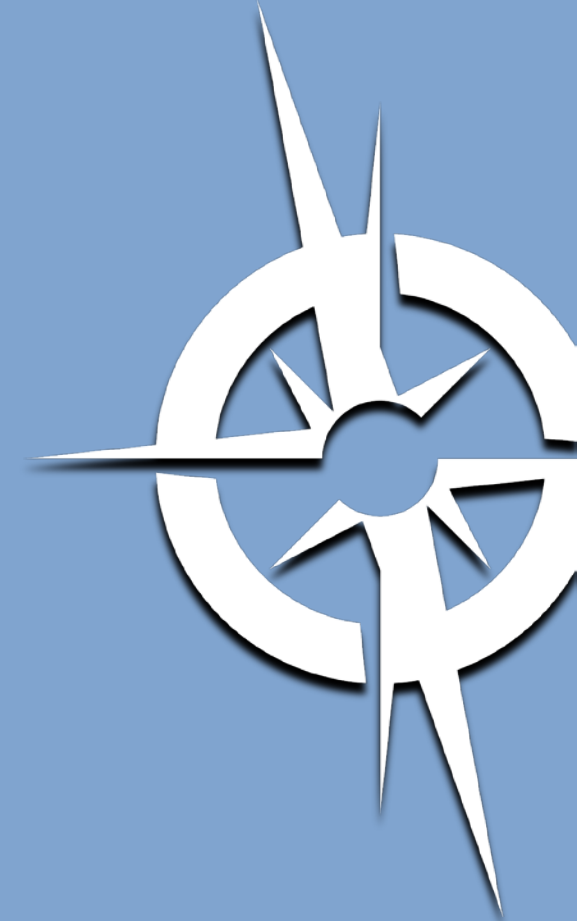


Recommendations & Next Steps

Based on the outcomes, we believe that Council should focus on the following:

1. Explore the declines in satisfaction across the key service areas. What could be driving this? Why is it not having a greater impact on overall satisfaction? What has sustained the high level support for overall satisfaction? Council could look to identify and explore this trend in order to assist it in communicating with the community on what is required to counter the general softening in satisfaction
2. Understanding community expectation around Council advocacy and how it acts on behalf of the needs of residents
3. Understand priorities and service level requirements around sporting and recreational facilities, parks and playgrounds, street cleaning and footpaths
4. Understand community engagement requirements in regard to long term planning and level of involvement in decision making
5. Continue to focus on creating a sense of community via meetings, classes, events and celebrations





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Marrickville Council
**COMMUNITY
ENGAGEMENT
REPORT**

Attachment 8



**No forced amalgamation
for Marrickville**

Public Meeting at Petonsham Town Hall, 10 June 7.30pm



EXECUTIVE SUMMARY

This report outlines and summarises the community engagement campaigns undertaken by Marrickville Council in response to the State Government's reform of local government. Both campaigns involved creating awareness through traditional and social media, letterbox distribution, rates newsletters, contact through formal groups, posters at Council's facilities including child care and recreation centres, and advertising in local newspapers; seeking feedback through a postal and online self-selecting survey; and through an independently conducted, statistically valid telephone poll to ensure that results were representative.

In 2013 Council engaged the community on the three amalgamation options put forward for Marrickville by the Independent Local Government Review Panel (ILGRP). The key result of this was a ratio of **1.75:1 against amalgamations** (telephone poll).

In 2015 Council engaged the community on two options, to amalgamate Marrickville with five other inner west councils or to stand alone, in response to the State Government's Fit for the Future initiative. The key result of this was a ratio of **3.5:1 in support of Marrickville standing alone** (from both the telephone poll of residents and businesses in the local government area > 396 responses and the self-selecting survey > 3,685 responses). The response rate was the second-highest of any community engagement program undertaken at Marrickville.

The 2013 engagement is detailed in the section Part One - Community Engagement- Independent Local Government Review Panel 2013 (page 2).

The 2015 engagement is detailed in the section Part Two - Community Engagement Stage Two - Fit for the Future 2015 (page 4) and Part Three - Marrickville Council's Position. (page 12)

COMMUNITY SATISFACTION SURVEY 2014

Marrickville Council commissions a biennial community satisfaction survey to seek feedback on a range of services as well as the overall image of Council. In 2014, Micromex Research conducted the survey, the results of which show strong satisfaction. Overall satisfaction with Council's performance is above the Micromex NSW LGA benchmark, with **95% of residents at least 'somewhat satisfied' with Council**, and 71% 'satisfied or 'very satisfied'. 82% of residents rated Council's image as 'good' to 'excellent', significantly higher than in 2012. This correlates with the responses to the recent engagement on amalgamations.

PART ONE COMMUNITY ENGAGEMENT ILGRP 2013

Background

Destination 2036 was convened in Dubbo in 2011 to discuss the future of local government with members of NSW councils. Subsequently, the State Government formed the Independent Local Government Review Panel (ILGRP) to look at ways to strengthen the effectiveness of local government in NSW. Following rounds of consultation with councils, the community and stakeholders, the ILGRP released its final report which included recommendations for amalgamating NSW councils. Whilst most councils had only one option, Marrickville was presented with three.

In response to the recommendations of the ILGRP's final discussion paper, *Future Directions for NSW Local Government: Twenty Essential Steps* in April 2013, Council engaged the community on the three potential options outlined for Marrickville. The options for Marrickville were:

- merge with the proposed Sydney group of City of Sydney, Woollahra, Waverley, Randwick, Botany Bay and possibly Leichhardt;
- merge with the proposed Inner West group with Ashfield, Canada Bay, Burwood, Strathfield and possibly Leichhardt; or
- merge with Canterbury Council.

Engagement campaign

Council undertook a community engagement program during May-June 2013 on the understanding that:

- The deadline given to councils to respond to the ILGRP recommendations was insufficient to conduct thorough community engagement; and
- No meaningful data or impact analysis was available on the three amalgamation options to provide residents with the information they would need to make a considered response. The program comprised an extensive promotional campaign to raise awareness of the issue, a demographically representative telephone

survey conducted by an independent market research company, and a self-selecting survey that allowed all staff, residents, ratepayers and businesses to participate.

When asked *'How supportive would you be of Marrickville being amalgamated with other nearby Councils?'* almost half (49%) of phone survey respondents were not at all supportive or not very supportive of any proposed amalgamation. Only 28% were completely supportive or supportive of amalgamations. The middle response, "somewhat supportive", represents those whose opinion was not yet strongly formed or needed more information to say yes or no. In interpreting the results, this group was removed and the ratio of positive to negative established.

This ratio is 1.75:1 against amalgamations.

When asked *'Preferred Option of those provided?'* 36% opposed amalgamations, with results showing no clear preference for the three proposals, although the Inner West group received the highest level of support at 26%. When the results were segmented by ward, the north ward was significantly more positively disposed towards the Sydney group and the west ward was more disposed to Canterbury.

Significantly, the results show that any one of the ILGRP's three options would have 75%-85% of the community preferring other options including opposing amalgamations all together.

A project page was set up at Your Say Marrickville which attracted 852 unique visitors to the web page, of whom 88 made formal submissions. These self-selecting respondents were asked which option they supported, what characteristics about Marrickville were special, and if amalgamations were to occur, which services were important and should continue. These results were more positively disposed to a merger with the proposed Sydney group although it should be noted that this group was not demographically representative.

The proposed amalgamation options for Marrickville Council are:



Sydney Group of Councils

Merge with proposed Sydney group of councils, creating a new 'super, global Sydney' council that would include City of Sydney, Botany Bay, Randwick, Waverley, Woollahra and possibly Leichhardt. (projected population up to 780,000)
This is the Panel's preferred option for Marrickville, citing the need to have a super city to anchor Sydney as Australia's only truly global city; close functional interaction and economic/social links; bringing key infrastructure and icons together and spreading the CBD rating benefits.



Inner West Group of Councils

Merge with proposed Inner West group of councils that would include Ashfield, Burwood, Canada Bay, Strathfield and possibly Leichhardt. (projected population up to 411,000)
The Panel believes this option could provide close functional interaction and economic/social links; unify local government to plan and manage Paramatta Road; coordinate inner west development; make Burwood a major centre.



Canterbury Council

Merge with Canterbury Council (projected population 257,000)
The Panel believes this option could enhance the economic and social mix and remove problematic boundaries to north and east.

Council	Population	TOP WORK FROM CHAIRMAN'S REPORT TO THE LANDS	POPULATION	WATERWAY	WATERWAY	WATERWAY	WATERWAY
City of Sydney	183,494	30	68.66	\$1,639	Strong, Outlook: Positive	548.23	88.75
Botany Bay	39,355	36	18.14	\$1,245	Weak, Outlook: Neutral	582.93	61.88
Randwick	137,757	27	35.49	\$1,577	Sound, Outlook: Neutral	871.63	69.31
Waverley	68,567	18	68.68	\$1,912	Moderate, Outlook: Neutral	696.15	40.04
Woollahra	56,324	15	42.48	\$2,398	Moderate, Outlook: Neutral	964.27	101.12
Marrickville	61,489	25	46.21	\$1,605	Moderate, Outlook: Neutral	738.7	55.05
Leichhardt	52,197	14	49.48	\$2,235	Sound, Outlook: Neutral	1,046.49	78.49
Ashfield	43,683	38	49.74	\$1,413	Sound, Outlook: Neutral	917.57	14.88
Burwood	34,305	49	45.36	\$1,310	Weak, Outlook: Positive	906.96	14.88
Canada Bay	79,905	29	38.07	\$1,817	Moderate, Outlook: Neutral	786.7	65.25
Strathfield	37,141	50	25.32	\$2,195	Moderate, Outlook: Negative	749.5	27.31
Canterbury	144,751	45	40.95	\$1,029	Moderate, Outlook: Negative	835.32	70.92

Other options to consider:

- Oppose amalgamation recommendations altogether and retain Marrickville Council as it is. (projected population 92,000)
- Combine in one of the larger groups above as a stronger County Council (anchored by a regional centre and establish a model for sharing services across Council boundaries)
- Propose alternative boundary changing options, for example, splitting half of the current Marrickville local government area into the proposed Sydney group and the other half into the inner west group.

Key questions to consider:

Will we lose our local identity? The Panel believes that the creation of Local Boards and other place management strategies will ensure the retention of local identity and representation. Other views suggest large councils will make it harder for local voices to be heard.
Which group of councils is the best fit for Marrickville? This is an extremely complex question which requires more information.

Future Directions for Local Government

contains many recommendations about the future of local government apart from amalgamations:
• Introduce Local Boards to service small communities and ensure local identity and representation in larger metropolitan councils
• Develop standard sustainability benchmarks
• Strengthen authority and



Marrickville Council invites community participation in a major review of the local government system. We wish to gauge our community's initial response to the Independent Local Government Review Panel's white paper, Future Directions for Local Government, which recommends amalgamations into much larger councils.

Background
The NSW State Government's Independent Local Government Review Panel has been investigating options for a more efficient and effective system of local government. The Panel consulted with councils and stakeholders across the state and in April released *Future Directions for Local Government* which recommends sweeping changes to local governments, including reducing the number of councils in metropolitan Sydney from about 43 to 15 options. We are seeking your feedback on these three models, or whether Marrickville should stay as it is, or if there are other options we should propose. Council has until 28 June 2013 to respond to the Panel's recommendations. The Panel will make its final report to the State Government in September 2013.

Marrickville Council seeks to identify the community's initial views, both positive and negative, towards boundary changes and amalgamation with nearby councils. We also seek to gauge the importance that our community places to having local representatives and to having input into local decision making. We acknowledge that information about the impacts of any amalgamation option is limited at this stage and future research and consultation will need to be undertaken. The report is complex and contains many recommendations about the future operating systems of local government. The full report can be accessed online at www.localgovernmentreview.nsw.gov.au

Council resolutions

Council at its meeting of 18 June 2013 (C0613 Item 5) received a report of the engagement program and resolved to note that neither of the three models received majority community support; and to make a submission to the Independent Local Government Review Panel including the outcomes of the consultation and supporting initiatives that:

- a) increase the financial sustainability of councils;
- b) increase greater cooperation between levels of government; and
- c) support best value service reviews.

PART TWO COMMUNITY ENGAGEMENT FIT FOR THE FUTURE 2015

Background

The ILGRP delivered its final report Revitalising Local Government in late 2013, which recommended a single option for Marrickville – amalgamation with the inner west councils. In 2014 the State Government invited councils to submit a response to demonstrate how they intend to meet four criteria to become Fit for the Future, based on the ILGRP's final recommendations.

Marrickville Council commenced dialogue with neighbouring councils including City of Sydney; Canterbury; Botany Bay and Rockdale (Airport Councils); and Ashfield, Burwood, Canada Bay, Strathfield and Leichhardt Councils (Inner West Councils) to determine whether amalgamation with one or more would enable the Fit for the Future criteria to be most optimally met. In response Canterbury Council declined and City of Sydney advised that it had resolved to prepare a Fit for the Future response involving it standing alone. The Airport Councils and the Inner West Councils (except Strathfield) agreed to co-commission consultants Morrison Low to undertake shared modelling to provide an evidence base for decision-making. Under the terms of an MOU signed by Marrickville, Ashfield, Burwood, Canada Bay and Leichhardt Councils, modelling of data was shared but engagement was to be undertaken by individual Councils with their communities.

Council resolutions

Following receipt of the two Morrison Low reports into various options for amalgamations, Council considered that there were only two viable options - Marrickville presenting a "stand-alone" business case to the state government or amalgamating with five other inner west councils as proposed by the Independent Local Government Review Panel.

Council resolved at its meeting on 17 March 2015 (C0315 Item 3) to endorse a program of community engagement to determine community support or opposition to these two options; and to consider the results of this engagement at its meeting on 19 May 2015 in deciding on a Fit for the Future response.

Engagement campaign

Marrickville Council engaged with residents, business owners and ratepayers from March - May 2015 to gather input into the two options: amalgamate Marrickville with five other inner west councils or for Marrickville to stand alone.

The objectives of the campaign were to create awareness, provide balanced information and encourage a broad range of residents, business owners and ratepayers to have their say to determine overall community support or opposition to the two options, and to obtain an overall preference for one or the other. The program consisted of a promotional campaign, a self-selecting survey and an independently conducted, demographically representative telephone survey.

Promotion

Information was publicly exhibited at Council's Administration Centre, Marrickville, Dulwich Hill, Stanmore and St Peters libraries and online at Your Say Marrickville. The public exhibition was promoted by:

- A dedicated Your Say Marrickville online engagement hub project page that included a survey
- Council's website
- A four-page brochure distributed to all 35,000 residences and businesses in Marrickville local government area
- Posters and brochures at Council facilities including child care centres, aquatic centres and recreation centres
- Notification to all of Council's Advisory Committees and Reference Groups
- Mail-out of brochure to all rate-payers
- Media releases
- Social media including Facebook and Twitter
- Council's e-newsletters
- Advertising in local newspapers

Submission methods

Submissions could be made by

- Completing an online survey at Your Say Marrickville
- Completing a paper survey detached from the brochure or available at public exhibition locations
- Writing to Council
- In person to Council's Customer Service team

Submission results

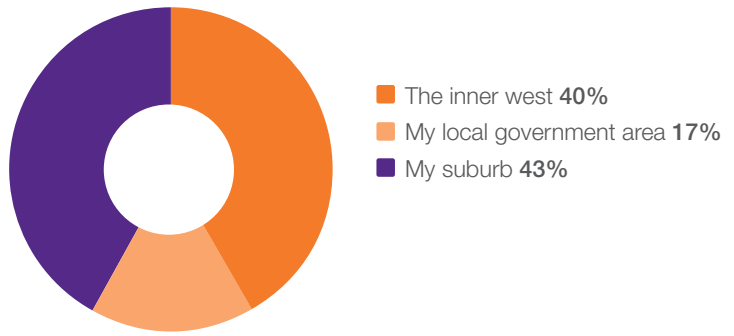
Council received 3,685 responses, of which 2,657 were by post and 1,028 were online submissions. Not all people answered every question. The results are quantified for each question on the following pages.



Question 1: With which of these do you most strongly identify?

	The inner west	My local government area	My suburb
Total (3,623)	1,448	621	1,554

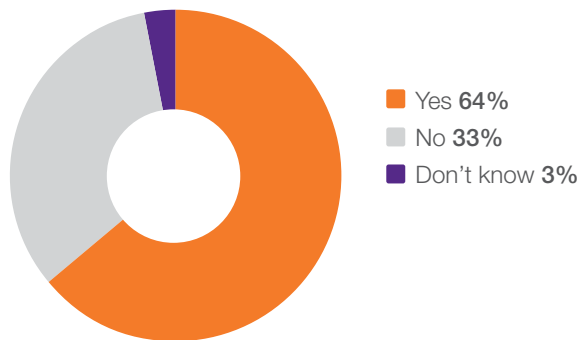
Results from the submissions show that respondents most closely identify with their suburb, closely followed by the inner west.



Question 2: Before you read the brochure or web page, were you aware of the State Government's Fit for the Future proposal to reduce the number of metropolitan councils in Sydney?

	Yes	No	Don't know
Total (3,547)	2,262	1,165	120

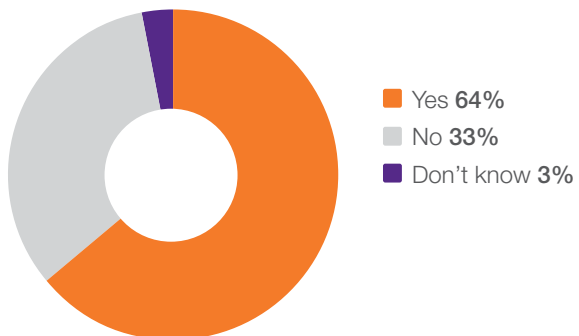
Results show a high awareness of the plans to reduce council numbers.



Question 3: Were you aware that the proposal included amalgamating Marrickville with five other inner west councils - Leichhardt, Ashfield, Burwood, Strathfield and Canada Bay?

	Yes	No	Don't know
Total (2,596)	1,419	1,028	149

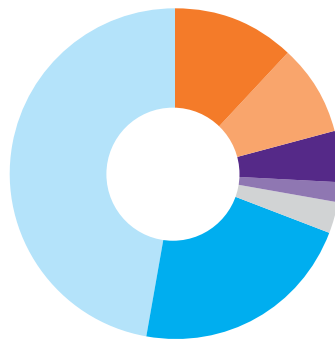
Results show a slightly lower awareness of the proposal to amalgamate Marrickville with five inner west councils.



Question 4: Do you support or oppose the amalgamation of Marrickville with five other councils to form the Inner West Super Council?

	Completely support	Mostly support	Slightly support	Not sure / don't know	Slightly oppose	Mostly oppose	Completely oppose
Total (3,550)	423	300	161	84	120	788	1674

Results show nearly three quarters of respondents oppose amalgamation with 69% either completely or mostly opposing amalgamation of Marrickville into an Inner West Super Council. Only 26% of respondents mostly or completely support amalgamation.

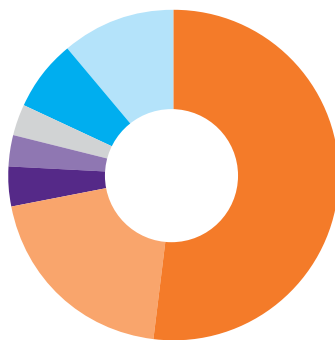


- Completely support amalgamation **12%**
- Mostly support amalgamation with minor concerns **9%**
- Slightly support amalgamation with major concerns **5%**
- Not sure / don't know **2%**
- Slightly oppose amalgamation despite seeing a lot of good points **3%**
- Mostly oppose amalgamation seeing only minor good points **22%**
- Completely oppose amalgamation **47%**

Question 5: Do you support or oppose the option of Marrickville remaining as a stand-alone council?

	Completely support	Mostly support	Slightly support	Not sure / don't know	Slightly oppose	Mostly oppose	Completely oppose
Total (3,544)	1,833	716	124	98	106	263	404

Results show overall, 76% of respondents are at least slightly supportive of Marrickville standing alone. Only 21% of respondents at least slightly oppose Marrickville standing alone.

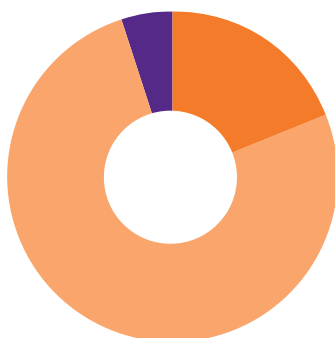


- Completely support stand alone **52%**
- Mostly support stand alone with minor concerns **20%**
- Slightly support stand alone with major concerns **4%**
- Not sure / don't know **3%**
- Slightly oppose stand alone despite seeing a lot of good points **3%**
- Mostly oppose stand alone seeing only minor good points **7%**
- Completely oppose stand alone **11%**

Question 6: Do you support or oppose the NSW State Government forcing amalgamations on councils if they do not voluntarily amalgamate?

	Support	Oppose	Not sure / don't know
Total (3,530)	665	2,679	186

Only 19% of respondents support forced amalgamation whilst 76% oppose.

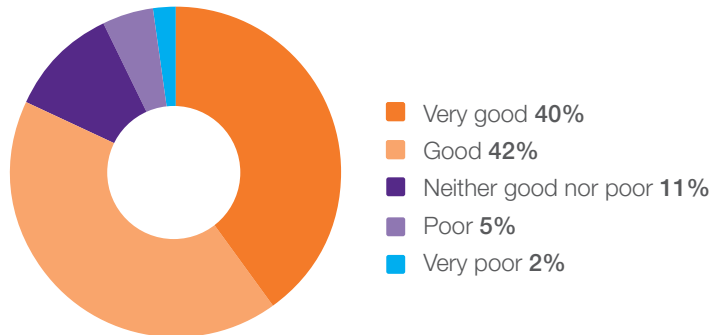


- Support **19%**
- Oppose **76%**
- Not sure / don't know **5%**

Question 7: How would you rate the overall performance of Marrickville Council?

	Very good	Good	Neither good nor poor	Poor	Very poor
Total (3,534)	1,418	1,474	401	169	72

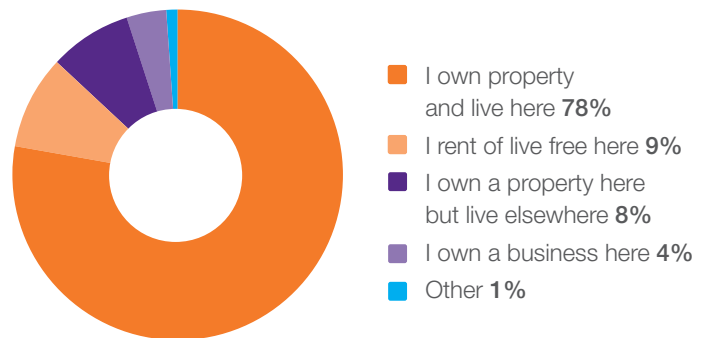
82% of respondents rate Marrickville's performance as good or very good. 7% rate Marrickville's performance as poor or very poor.



Question 8: What is your relationship to the Marrickville local government area? Please select all that apply to you.

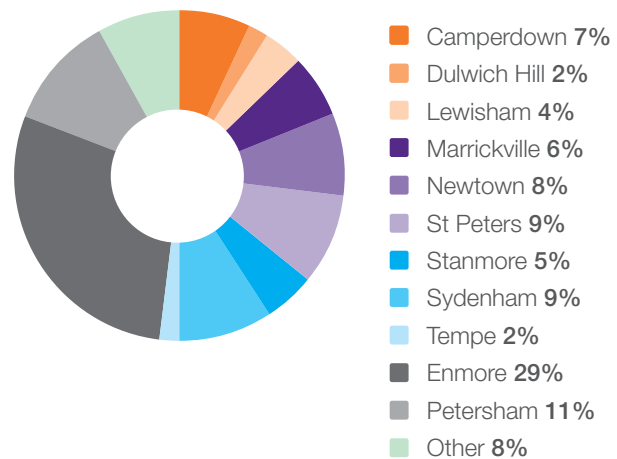
	I own property and live here	I rent or live free here	I own property here but live elsewhere	I own a business here	Other
Total (3,535)	2,838	333	273	147	44

A large majority of respondents own property and live in the Marrickville local government area.



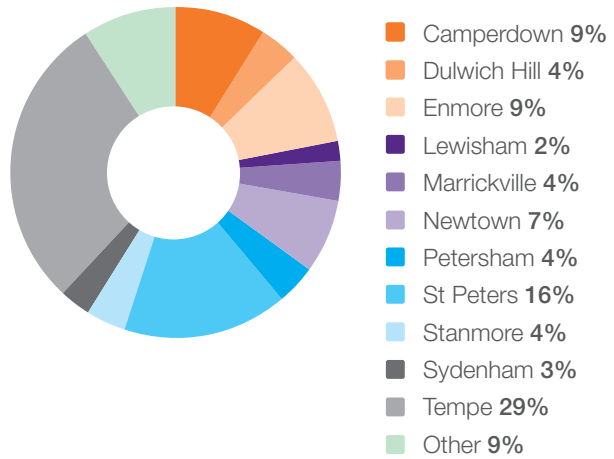
Question 9: In which suburb is your business?

There were 334 responses to this question, of which 305 nominated a suburb in the Marrickville local government area.

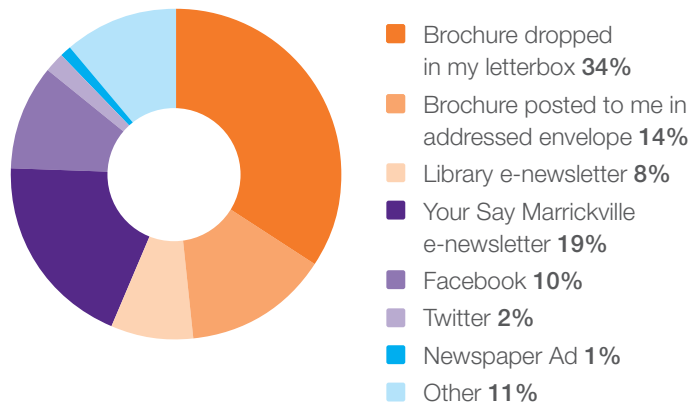


Question 10: In which suburb do you live?

There were 3445 responses to this question, which show a broad spread across the Marrickville local government area.



Question 11: How did you hear about this survey?



Telephone Poll

Council commissioned independent market research company Taverner Research to undertake a statistically valid telephone survey stratified to be demographically representative of the Marrickville community, by age, gender and ward. The purpose of the survey was to:

- Measure awareness of the NSW Government's plan to reduce the number of councils
- Identify support for or opposition for the two options
- Identify reasons for support or opposition to each option
- Enable comparison of results across each of the four wards in the Marrickville local government area.

During April 2015 396 interviews were conducted which provides a maximum sampling error of plus or minus 4.9% at 95% confidence ie. if the survey was replicated with a new universe of 396 residents, then 19 times out of 20 the same results would be achieved: +/- 4.9%. Therefore, the research findings documented in the Taverner report can be extrapolated as an accurate and reflective measure of the broader community's attitudes.

The survey used an innovative technique of supplementing the random landline data-base with use of a large consumer data-base of mobile numbers to increase the number of under-35-year-olds, who are traditionally hard to reach in standard phone surveys.

Of the 396 respondents, 24 owned a business in the Marrickville local government area.

The telephone poll replicated the questions asked in the self-selecting survey outlined above, but questions were rotated to remove response bias, and comments were recorded to draw out reasons behind the opinions.

The telephone poll results are summarised below and the full report is included as an appendix to this document.

The key results of the telephone survey are that:

- Awareness of the proposed reduction in council numbers was high (72%) although only a third of those aged 18-34 years were aware.

- Just over half of respondents were aware of the proposal to form an inner west super council.
- When comparing the levels of 'support' in the two questions '*how much support there is for Marrickville Council standing alone versus how much support there is for amalgamation*' there is significantly more support for Marrickville standing alone (68%) than there is for amalgamation into an inner west super council (19%). Support was consistent amongst residents from each ward and did not differ significantly by age or gender. In interpreting the results, the ratio of positive to negative is established. This ratio is 3.5:1 in support of Marrickville standing alone.
- **Nearly seven out of ten residents (68%) supported Marrickville remaining as a stand-alone council, when asked whether they supported or opposed this option.**
- **The main reasons given in support of standing alone were:**
 - o Marrickville is a good council/doing a good job (28%)
 - o Council has good engagement with the community/ community feel/look after locals/loss of identity if amalgamating (21%)
 - o Like the way things are at the moment/no benefit of a bigger council (15%)
 - o With such a huge area, services may suffer with a larger council (12%)
 - o Marrickville is already a large council (9%)
- **The main reasons given in opposition of standing alone were:**
 - o Amalgamation would save money/cut costs/reduce expenditure/be cost effective (22%)
 - o Amalgamation would save on duplication of services/ processes/resources (14%)
 - o Will get more done/better managed as a larger council (10%)

- Three out of every five residents surveyed (61%) opposed amalgamation when asked whether they supported or opposed this option.
- The main reasons given in support of amalgamation into one single council for the inner west were:
 - o Saves money/cuts costs/reduces expenditure/cost effective (19%)
 - o More efficient services (16%)
 - o I think it would work/good idea/should be controlled by one council (13%)
- The main reasons given in opposition of amalgamation were:
 - o Area too big for one council/less attention to my area/not as effective (37%)
 - o Different areas have different needs/issues/cultures/loss of identity (28%)
 - o They (councils) all do a good job/leave as is (21%)
- When asked if they opposed or supported forced amalgamation, the majority of residents (76%) said that they opposed this, with only just more than one out of ten (13%) saying they supported it.
- The majority of residents (84%) indicated that they saw Council's performance as at least 'good' with nearly two out of five (39%) indicating that Council's performance was 'very good'. There was a direct link between performance rating and preference for an

option. More than three quarters (77%) of those who rated Council's performance as very good supported Marrickville remaining as a stand-alone Council.

- More than half (53%) of all residents indicated that they recalled receiving the brochure titled Marrickville and Amalgamations. Recall of the brochure did not have any relationship to the support or opposition of standing alone or of amalgamation.

Additional submissions

- I do not support an amalgamation with the 5 other Councils. Marrickville Council offers a wide ranging list of services that makes it a such great place to live. The environment and community programs are fabulous; however with an amalgamation with the 5 other councils you may lose the community spirit and sense of belonging. However, if choices had to be made, I would consider an amalgamation with Leichhardt Council only.
- I am very disappointed with the Amalgamation survey. I reviewed surveys by both Leichhardt and Canada Bay and they both allow free text responses. My additional information for the survey is as follows,
- "While I do not support the 5 way amalgamation proposal I would support an amalgamation with Leichardt Council as I believe that they share similar values as Marrickville council and a commitment to the local community and environment that would make a the only possible fit if we had to amalgamate. This in turn would meet the arbitrary scale and capacity population target of 250,000 set by the State Government."

THERE IS SIGNIFICANTLY MORE SUPPORT FOR

MARRICKVILLE STANDING ALONE (68%) THAN THERE IS

FOR AMALGAMATION INTO AN INNER WEST SUPER COUNCIL (19%).

PART THREE

COMMUNITY ENGAGEMENT

– MARRICKVILLE COUNCIL'S POSITION 2015

Marrickville Council resolved to take the position that Marrickville is better off not amalgamating into an 'Inner West Super Council', and should remain stand-alone.

This decision was taken after extensive community consultation showed three-quarters of residents are opposed to the State Government's amalgamation proposal for Marrickville. The modelling by Morrison Low and further cost improvements investigated by council resulted in Marrickville being able to demonstrate that it satisfies all 7 of the key financial indicators that need to be addressed in the Fit for the future submission.

Marrickville Council also voiced serious concerns about the way the state government is handling the process of Council amalgamations.

In order to feed back to the community and to provide an opportunity for businesses and residents to either voice concern or support for the council's position, it was agreed that further community engagement take place.

Engagement campaign

Marrickville Council engaged with residents, business owners and ratepayers from May to June 2015 to inform the community of Marrickville's position to stand alone.

The objectives of the campaign were to inform residents, business owners and ratepayers of the decision, to provide a public forum as a platform to raise their concerns or indicate support and to provide instructions on how the community could take action.

More than 150 residents attended the meeting at Petersham Town Hall. They heard from the NSW Member for Summer Hill and the Member for Newtown who spoke of their support for Marrickville to stand alone. Those who attended gave overwhelming support for council's position and to say No to forced amalgamations. Petitions and letters to the Premier and Minister are being collated and is anticipated to continue until the October announcement.

Promotion

A town hall meeting was the central focus of the campaign. Information was publicly exhibited at Council's Administration Centre, Marrickville, Dulwich Hill, Stanmore and St Peters libraries, child care centres and online at Your Say Marrickville. Petition forms were also on display. The public exhibition was promoted by:

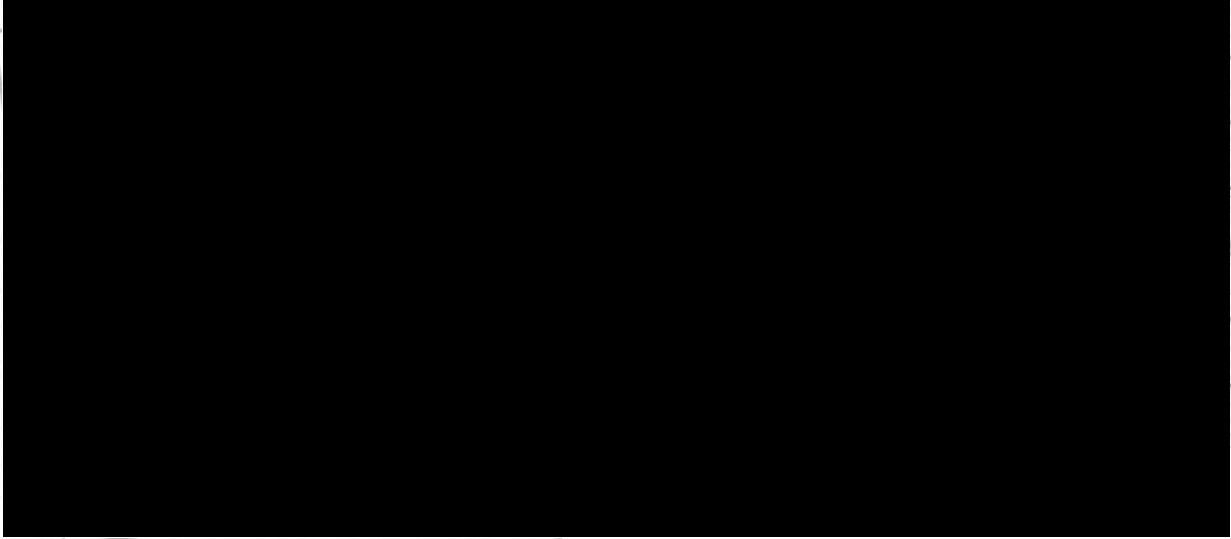
- A dedicated Your Say Marrickville online engagement hub project page
- Downloadable campaign action kit including posters, flyers, template letters addressed to the Premier and the Minister for Local Government
- Council's website
- Flyers with both generic and targeted messaging
- Posters and flyers at Council facilities including child care centres, aquatic centres and recreation centres
- Notification to all of Council's Advisory Committees and Reference Groups
- Mail-out flyer to all households
- Media releases
- Social media including Facebook and Twitter
- Council's e-newsletters
- Advertising in local newspapers

NO FORCED AMALGAMATION FOR MARRICKVILLE

The NSW Government wants Marrickville to amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield to create an Inner West Super Council.

Marrickville residents have overwhelmingly told us that they DO NOT want to amalgamate. We stand to lose our sense of community, and we could be taking on other councils' debts.

The NSW Government has presented no compelling evidence of why Marrickville should amalgamate. They have not said how amalgamating will benefit Marrickville residents.





SUPPORT MATERIALS


Section Item

1. Your Say Marrickville project page - Amalgamations and Marrickville 2015
2. Brochure - Amalgamations and Marrickville 2015
3. Poster at public exhibition locations and Council facilities 2015
4. Taverner Research Telephone Survey Report 2015
5. Media Report 2015
6. No forced amalgamation for Marrickville action kit 2015
7. Brochure - Local Government Review 2013
8. Micromex Research Telephone Survey Report 2013

1. Your Say Marrickville project page – Amalgamations and Marrickville 2015

Your Say Marrickville

A diverse, vibrant and innovative community



Your Say Marrickville home
Council website
Prue-Community


Amalgamations and Marrickville

Search

Search

Amalgamations and Marrickville

Submissions for Amalgamations and Marrickville have now closed. A summary of results will be posted on this site once analysis is complete.



The State Government wants Marrickville to amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield to create a "Super Council" of 342,000 residents – and a projected 2031 population of 432,400.

By June, Councils must submit a "Fit for the Future" business case to show how they meet four criteria set by the State Government.

Before Marrickville considers our final position, we want to know what our community thinks. Should Marrickville stand alone? Or should we amalgamate with all of the inner west councils?

Please read the [Amalgamations and Marrickville brochure](#). Then [complete the survey online](#).

How are we seeking the community's opinion?

To reach the maximum number of residents and ratepayers, we are...

- Delivering the brochure to the letterboxes of all residences and businesses in the Marrickville local government area
- Posting the brochure to all ratepayers with their rates instalment
- Placing feedback boxes at Marrickville Council Administration Centre, and Marrickville, Dulwich Hill, Stanmore and St Peters Libraries
- Promoting through traditional and digital media

We have also commissioned a market research company to undertake a statistically valid, demographically representative phone survey in April.

What are the next steps?

When community engagement closes, we will analyse all survey results received online and via post and publish a summary on this site. The elected Council at its meeting on 10 May will consider all the feedback and decide on a position for Marrickville Council's Fit for the Future application.

More information

Go to the 'More Information' box to view the Independent Panel's reports, find out more about the State Government's Fit for the Future package and see what our neighbouring councils are proposing.

Key Dates

Community survey opens
26 March 2015

Community survey closes
04 May 2015

Council submits its Fit for the Future response to the State Government
30 June 2015

more...

View the Amalgamations and Marrickville brochure



MESSAGE FROM THE MAYOR OF MARRICKVILLE, MARK GARDNER

...and government amalgamations was a huge success in getting...

...the State Government's Fit for the Future site

...Independent Local Government Review Panel site

...Our neighbouring councils' positions

...Morrison Low report

More Information

- [Amalgamations and Marrickville brochure \(655 KB\) \(pdf\)](#)
- [IPART Review of Fit for the Future Criteria \(2.81 MB\) \(pdf\)](#)
- [State Government Fit for the Future site](#)
- [Independent Local Government Review Panel site](#)
- [Our neighbouring councils' positions](#)
- [Morrison Low report](#)

Survey (Trim 15/SF116)

Amalgamations and Marrickville survey (Trim 15/SF116)

Marrickville Council values your feedback. We will use the community's feedback to decide on an option for our Fit for the Future application - to stand alone or amalgamate with the five other inner west councils.

CLOSED: Submissions have closed.

This survey has been archived. Since you have administrator access to this project, you can still submit a survey response if you so choose.

HOW DID WE GET HERE?

In February, Marrickville signed a Memorandum of Understanding (MOU) with Canada Bay, Ashfield, Burwood, and Leichhardt Councils (Strathfield Council declined).

The MOU allowed the councils to share research on the economic and social impacts of any amalgamations, and modelling and analysis on advocacy, representation, good governance and social and environmental issues.

Consultants Morrison Low were commissioned to analyse various amalgamation scenarios based on published financial and other information. These two options were identified as best meeting the State Government's eight Fit for the Future criteria.

WHERE WE CURRENTLY STAND?

OPTIONS	STATE GOVERNMENT'S EIGHT FIT FOR THE FUTURE CRITERIA							
	Scale and Capacity	Operating Performance	Own source Revenue	Debt Service Cover	Infrastructure Maintenance	Infrastructure Renewal	Infrastructure Backlog	Real Operating Expenditure
Inner West Super Council	✓	✓	✓	✓	✗	✓	✓	✓
Marrickville Stand-alone	✗	✓	✓	✓	✗	✓	✗	✓

Source: Inner west councils Fit for the Future - Shared Modelling Report Morrison Low 2015

Marrickville as a stand-alone option will not meet the State Government's requirement for scale and capacity. **For both options to meet the rest of the criteria, rates will need to increase in order to eliminate the combined infrastructure asset related funding shortfall.** If we were to do nothing but maintain the status quo we would not be considered Fit for the Future.

WHAT DOES IT MEAN FOR ME?

With both options the average residential rates will rise. According to the modelling, business rates could fall in the Inner West Super Council option.

Representation will decrease dramatically. Currently Marrickville has one Councillor per 6,087 residents. The Inner West Super Council will have one Councillor per 22,413 residents.



HOW MUCH WILL AMALGAMATING COST?

The estimate is that the amalgamation of the six Inner west councils would be in the vicinity of \$80 million*. The State Government is offering a combined incentive package of \$16.5 million.

*Source: Morrison Low 2015



WILL MARRICKVILLE LOSE ITS LOCAL IDENTITY?

The ILGRP believes that the creation of Local Boards and other place management strategies will ensure the retention of local identity and representation. Other views suggest large councils will make it harder for local voices to be heard.

Marrickville Council is disappointed that all the criteria are operational, financial, and asset driven, and do not take into consideration social measures such as public value, creativity or recreational and cultural needs.



2. Brochure – Amalgamations and Marrickville 2015



MESSAGE FROM **THE MAYOR OF MARRICKVILLE, MARK GARDINER**



"Marrickville Council must prove itself 'Fit for the Future' to satisfy the requirements of the State Government. If we are to avoid a forced amalgamation, then we must act. Doing nothing is not an option."

Local government amalgamations have a long history in Australia.

After the 1940s and 60s amalgamations that saw the creation of the current Marrickville Council, we've had proposals in the 70s – that Marrickville amalgamate with nearby councils – and the 80s, with a concerted effort by the State Government of the day to amalgamate Marrickville with Leichhardt and Ashfield. Neither of these proposed amalgamations went ahead.

In the late 90s and early 2000s, widespread council amalgamations occurred in South Australia, Queensland, Victoria, and Western Australia.

Now it's our turn to confront the issue.

The State Government wants Marrickville to amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield to create a **'Super Council'** of 342,000 residents – and a projected 2031 population of 432,400.

By June this year, almost every council in NSW must submit a 'Fit for the Future' business case to be reviewed by an independent panel that shows how they meet the eight criteria as set out by the State Government. (see page 2)

Before Marrickville considers our final position that we will take to the State Government, we want to know what you, our residents and ratepayers think. **Should Marrickville stand alone? Or should we amalgamate with all of the inner west councils** as recommended by the Independent Local Government Review Panel (ILGRP)?

Please take the time to carefully read this brochure. Simply put – do you think there are advantages in amalgamating with the other inner west councils? Or are we better off making our case to remain a stand-alone council?

We are now seeking your feedback and I look forward to hearing your opinion.

WHAT IS **'FIT FOR THE FUTURE'?**

In September last year, the State Government released the 'Fit for the Future' blueprint for the future of local government, based on the Independent Local Government Review Panel's (ILGRP) recommendations.

Almost every single NSW Council must present a Fit for the Future business case by 30 June 2015 that proves its scale and capacity, financial sustainability, efficiency and effectiveness of service delivery and infrastructure management. While the scale and capacity (population size) threshold appears arbitrary, in our case it means meeting the ILGRP recommendation of the population of an amalgamated Inner West Council (342,000).



**OPTION 1
MARRICKVILLE STAND-ALONE
TO MEET 7/8 CRITERIA**

82,523	Population at 2015
102,300	Projected population 2031*
6,087	Residents per Councillor at 2015
\$948	Proposed average residential rate**
\$6,198	Proposed average business rate**

* Source: New South Wales State and Local Government Area Population, Household and Dwelling Projections 2014
 ** 2015/16 with proposed additional 0% Special Rate Variation and 4.9% rate increase to meet criteria

Advantages:

- Keeps Marrickville's local identity and sense of community
- Maintains existing services and service levels
- Has a high level of Councillor representation per resident
- Avoids a costly and disruptive amalgamation process

Disadvantages:

- Does not meet the State Government's requirement for scale and capacity
- Could be forced into an unfavourable amalgamation
- A relatively small voice in government relations
- May miss out on some economies of scale
- Rates will need to increase by approximately 4.9% to eliminate combined infrastructure asset related funding shortfall in order to meet the criteria



**OPTION 2
SIX INNER WEST COUNCILS
TO MEET 8/8 CRITERIA**

342,530	Population at 2015
432,400	Projected population 2031*
22,413	Residents per Councillor at 2015**
\$1,008	Proposed average residential rate**
\$5,349	Proposed average business rate**

* Source: As modelled by Morrison Low 2015 on current averages across the Inner West Councils
 ** Based on minimum number of councillors allowed - 15
 ** As modelled by consultants Morrison Low with proposed additional 2% Special Rate Variation and 8.3% rate increase to meet criteria

Advantages:

- Meets the State Government's requirement for scale and capacity
- Could improve capacity to plan and manage major projects
- Single entity for State Government to liaise and negotiate with
- Economies of scale

Disadvantages:

- Loss of Marrickville's local identity
- Loss of local input into decision making, planning, and development
- Cost to amalgamate estimated at \$90 million, partly off-set by \$16.5 million incentive
- Rates will need to increase by approximately 8.3% to eliminate the combined infrastructure asset related funding shortfall to meet the criteria
- Potential loss of some existing services and service levels
- Has a much lower level of Councillor representation

Delivery Address:
PO Box 14
PETERSHAM NSW 2049

No stamp required
if posted in Australia




Marrickville Council
Reply Paid 72599
PETERSHAM NSW 2049

WHAT'S NEXT?



April 2015
Marrickville Council community consultation until 4 May.



May 2015
Council to determine preferred option for Marrickville Council.



June 2015
Council to submit its Fit for the Future response.



October 2015
Independent panel to assess Fit for the Future submissions and make recommendations about amalgamating



September 2016
Local Government elections based on new Council boundaries.

HAVE YOUR SAY

Your input is valuable. Please complete the survey:

- online at yoursaymarrickville.com.au
- in this brochure and post to Council

FIND OUT MORE

View the Independent Panel's reports, find out more about the State Government's Fit for the Future package and see what our neighbouring councils are proposing.

Go to:

- yoursaymarrickville.com.au
- Marrickville Council Administration Centre, 2-14 Fisher Street Petersham
- Dulwich Hill, Marrickville, St Peters and Stanmore Libraries

WHY IS THE STATE GOVERNMENT SO KEEN ON AMALGAMATING COUNCILS?

That's not entirely clear. The State Government has not presented any compelling evidence as to how amalgamations will benefit the people of NSW.

The Independent Local Government Review Panel (ILGRP) report stated that the Inner West Super Council option could improve economic and social links, unify local government to plan and manage major projects including Parramatta Road, provide better coordination of inner west development, and make Burwood a major centre.

Amalgamations have taken place in Victoria, Western Australia, and Queensland. Some have been more successful than others. In Queensland, some councils have since de-amalgamated. WA has now abandoned its amalgamation plans because of public opposition.



WHAT IS MARRICKVILLE COUNCIL'S POSITION?

Marrickville Council is supportive of local government reform, but opposed to forced amalgamations.

In particular the State Government's incentive package will not cover even a small portion of the cost.

As well, Marrickville Council is not planning any external borrowing next year for example, so there would be zero benefit from the other financial incentive of interest reductions on borrowings.

Marrickville Council is also concerned that the Fit for the Future assessment criteria are too narrow and ignore the 'cultural fit', such as where residents have a natural sense of community and belonging.

Marrickville Council recognises that it is sensible to explore potential amalgamations in preparing its business case for Fit for the Future, and has opened a dialogue with the neighbouring councils.



Visit yoursaymarrickville.com.au



Fill in the attached survey



Twitter: @MarrickvilleNSW #NoForcedMergers



Facebook: [facebook.com/marrickvillecouncil](https://www.facebook.com/marrickvillecouncil)

AMALGAMATIONS AND MARRICKVILLE COMMUNITY SURVEY

1. With which of these do you most strongly identify?

- The inner west My local government area
 My suburb

2. Before you read the brochure, were you aware of the NSW Government's Fit for the Future proposal to reduce the number of metropolitan Councils in Sydney?

- Yes No Not sure / don't know

3. If yes, were you aware that this proposal included amalgamating Marrickville with five other inner west Councils – Leichhardt, Ashfield, Burwood, Strathfield and Canada Bay?

- Yes No Not sure / don't know

4. Do you support or oppose the amalgamation of Marrickville with five other councils to form the Inner West Super Council?

- Completely support amalgamation
 Mostly support amalgamation, with minor concerns
 Slightly support amalgamation but with major concerns
 Not sure / don't know
 Slightly oppose amalgamation, despite seeing a lot of good points
 Mostly oppose amalgamation, seeing only minor good points
 Completely oppose amalgamation

5. Do you support or oppose the option of Marrickville remaining as a stand-alone council?

- Completely support standing alone
 Mostly support standing alone, with minor concerns
 Slightly support standing alone but with major concerns
 Not sure / don't know
 Slightly oppose standing alone, despite seeing a lot of good points
 Mostly oppose standing alone, seeing only minor good points
 Completely oppose standing alone

6. Do you support or oppose the NSW State Government forcing amalgamations on councils if they do not voluntarily amalgamate?

- Support Oppose Not sure / don't know

7. How would you rate the overall performance of Marrickville Council?

- Very good
 Good
 Neither good nor poor
 Poor
 Very Poor

8. What is your relationship to the Marrickville local government area? Please select all that apply to you.

- I own property and live here
 I rent or live free here
 I own property here but live elsewhere
 I own a business here
 Other – please describe

9. If you own a business, in which suburb?

- Camperdown Dulwich Hill Enmore
 Lewisham Marrickville Newtown
 Petersham St Peters Stanmore
 Sydenham Tempe Other

10. In which suburb do you live?

- Camperdown Dulwich Hill Enmore
 Lewisham Marrickville Newtown
 Petersham St Peters Stanmore
 Sydenham Tempe Other



Please complete, fold, seal (with sticky tape or glue) and mail. No stamp is required. Or complete online at www.yoursaymarrickville.com.au
The last day to have your say is Sunday 3 May 2015.

3. Poster at public exhibition locations and Council facilities 2015

MARRICKVILLE council

**AMALGAMATIONS
AND MARRICKVILLE
WHAT DO YOU THINK?**

**The State Government
wants Marrickville to
amalgamate with Ashfield,
Canada Bay, Burwood,
Leichhardt and Strathfield
to create a 'Super Council'
of 342,000 residents.**

HAVE YOUR SAY

**Your input is valuable.
Please complete the survey.**

4. Taverner Research Telephone survey report 2015

Taverner Research, Level 2, 88 Foveaux St, Surry Hills, NSW, 2010, Australia
t +61 2 9212 2900 f +61 2 9212 3920 www.taverner.com.au



TAVERNER
R E S E A R C H

Research Report
**Fit for the Future
Community Survey**
Marrickville Council

April 2015

Project Reference Number: 4952

Marrickville Council Contact: Prue Foreman

Taverner Contact: Michael Trigwell

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Table of Contents

1. Executive Summary	5
2. Project Background & Objectives.....	6
3. Methodology	7
4. Detailed Findings	11
4.1. Sense of Connection	11
4.2. Awareness of the Proposed Reduction in Council Numbers.....	11
4.3. Support for Marrickville Standing Alone	13
4.1. Support for Amalgamation.....	14
4.2. Support or Opposition for Forced Amalgamation	15
4.3. Performance of Council.....	15
4.4. Recall of Marrickville and Amalgamation Brochure	16
4.5. Conclusions	17
Appendix I: Questionnaire Used	18
Appendix II: Commentary on the Sample Used	23

Table of Figures

Figure 1: Age Groups According to 2011 ABS Census Data	8
Figure 2: Age Split by Region	8
Figure 3: Demographics of Survey Sample	10
Figure 4: Sense of Connection.....	11
Figure 5: Awareness of the Proposed Reduction in Council Numbers	12
Figure 6: Awareness of the Proposal for Marrickville to Amalgamate.....	12
Figure 7: Support for Marrickville Remaining Stand Alone	13
Figure 8: Support for Amalgamation into One Inner West Council.....	14
Figure 9: Support for Forced Amalgamation.....	15
Figure 10: Performance of Council.....	16
Figure 11: Percentage of Residents Who Recall Receiving a Brochure..	17

1. Executive Summary

A telephone survey of N=394 adult residents of the Marrickville Council LGA were conducted in April 2014.

The survey aimed to:

- ✦ Measure awareness of the NSW Government's plan to reduce the number of councils
- ✦ Identify support or for opposition for different amalgamation options
- ✦ Identify reasons for support or opposition to each option
- ✦ Enable comparison of results across each of the four (4) wards in the LGA

Awareness of Amalgamation Proposal

Awareness of the proposed amalgamation requirements from the NSW Government did not differ amongst residents within each ward with overall awareness at 72%.

It appears that distribution of the Marrickville and Amalgamations brochure has had a significant impact on awareness of the proposal with a direct link between recall of the brochure and awareness of the proposed amalgamation plans.

Knowledge of the detail was slightly lower with just more than half (54%) of all respondents aware that the Government's proposal included merging Marrickville with five other councils to create an inner west council.

Amalgamation Preferences

There was significantly less support for amalgamation (19%) than there was for remaining as a standalone council (68%).

The majority of residents clearly would prefer to remain as a standalone council and more than half (61%) directly oppose amalgamating to form one inner west council.

2. Project Background & Objectives

Marrickville Council commissioned Taverner Research to conduct a survey of residents in the LGA to gauge support or opposition for the various different amalgamation options available to be able to respond to the NSW Government's Fit for the Future objective.

In summary the key objectives were:

- ✧ Identify how supportive residents are of each option
- ✧ Ascertain a preference for one of the two options
- ✧ Identify reasons for residents' opinions, both for and against amalgamations

The full questionnaire is included as Appendix 1 to this report.

3. Methodology

The research was conducted amongst residents of the Marrickville Council area by Computer Assisted Telephone Interviewing (CATI). All households reached were screened to ensure that they fell within the Marrickville Council area.

Sample

The sample for this project included adult residents in the Marrickville Council area with a landline telephone number, this was supplemented by a sample of residents aged 18-34 from a consumer database to increase the number of younger respondents the number of renters and those from a mobile phone only household that would be under-represented in a standard Random Digit Dial (RDD) sample.

A total of n=394 residents were surveyed.

Quotas

The original sample design aimed to achieve a representative sample for three age groups, 18-34, 35-54 and 55+ years.

Weighting will have had little effect on the overall results obtained, as even where there were differences in responses between younger and older residents, the differences were relatively small. Thus even the unweighted results give a good estimate of what would be found in a fully representative sample. Gender was controlled to approximately match the population proportion of males and females, and there were very few differences in the responses obtained from males and females.

The following table (see Figure 1) shows the distribution of residents within the Marrickville Council area using ABS Census of Population data from 2011 by age group.

While the table has not been split by gender, quotas for gender to match population figures of 49% male and 51% female were set and nearly achieved.

Rental properties and household members aged under 35 have been under-sampled. This could not be avoided as these population segments are more likely to rely on mobile phones only and despite the use of the consumer database to attempt to include these segments the available sample within the Marrickville LGA was limited from this source (see further commentary in Appendix II).

Figure 1: Age Groups According to 2011 ABS Census Data

Age Groups	2011 Census Population Data	2011 Census Population %	Sample N	Sample %
18-34 years	23,505	37%	97	25%
35-54 years	25,123	39%	188	48%
55+ years	15,086	24%	106	27%

Another reason for data not being weighted was the requirement for direct comparisons, and therefore relatively equal sample sizes, obtained from each of the wards. While targets were set to achieve n=100 per ward this proved challenging given the age and gender distribution required. Data was weighted for each ward to have equal representation in the overall sample, and as no significant differences were found the decision was made to report the results using unweighted data to maximise the power to detect any differences between wards.

Figure 2: Age Split by Region

Age Groups	North (Wall)	West (Burruga)	Central (Wirraga)	South (Magura)
18-34 years	25%	23%	29%	23%
35-54 years	40%	49%	53%	52%
55+ years	36%	27%	16%	25%

Questionnaire Development and Structure

The questionnaire developed for the research, was designed by Taverner Research in consultation with the Marrickville Council project team.

Where order bias may have been a concern, the order of phrases such 'support or oppose' were assigned to each respondent in a different order (i.e. respondent one was asked 'do you support or oppose' and respondent two was asked 'do you oppose or support').

In addition the order of asking support or opposition questions regarding amalgamation or standing alone were rotated so that half the same was asked about amalgamation before standing alone and the other half were asked about standing alone before being asked about amalgamation.

Error Variance

Based on the sample size of n=394, the sample error variance for the survey results at a 95% confidence interval is approximately +/- 4.9 %. This implies that for a response figure of 50%, the true population figure will be between 45.1% and 54.9% in 19 samples out of 20. On this basis

the survey results can be deemed to be an accurate account of the views of Marrickville Council residents.

Demographics of the Survey Sample

Figure 3 provides a demographic breakdown of the survey respondents for this project.

The results have been analysed by each of the four wards with noteworthy significant differences detailed within the body of the report.

Figure 3: Demographics of Survey Sample

Demographic Group	%	#
GENDER		
Male	46	182
Female	54	212
AGE		
18 - 24	6	22
25 - 34	19	75
35 - 44	23	89
45 - 54	25	99
55 - 64	14	57
65 years or older	12	49
Prefer not to say	1	3
LOCATION		
Camperdown*	5	20
Dulwich Hill	18	70
Enmore	4	16
Lewisham	4	16
Marrickville	30	119
Newtown*	9	36
Petersham	9	35
St Peters*	4	16
Stanmore	10	41
Sydenham	2	6
Tempe	5	19
WARD		
North (Wali)	31	121
West (Burruga)	25	100
Central (Wirraga)	20	77
South (Magura)	24	96
HOME OWNERSHIP		
Own/mortgage	74	293
Rent	26	101
BUSINESS OWNED IN MARRICKVILLE LGA		
Yes	5	19
No	95	375
TOTAL	100	394

*Note that residents living in these suburbs were only included in the research if their area was within the Marrickville area.

4. Detailed Findings

This section of the report provides charted and narrative commentary for all questions asked in the survey.

Note that where two or more responses have been combined the sum of the combination may be different (+/- 1%) to the sum of the individual items due to rounding.

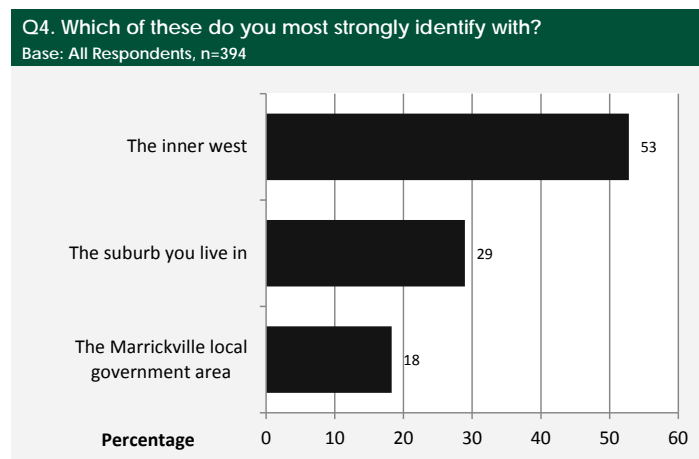
4.1. Sense of Connection

All residents were asked if they most strongly identified with the inner west, Marrickville LGA or the suburb they live in.

Figure 4 shows that more than half (53%) of everyone surveyed most identified with the inner west, followed by the suburb they live in (29%).

The results did not differ significantly when analysed by age, gender or ward.

Figure 4: Sense of Connection



4.2. Awareness of the Proposed Reduction in Council Numbers

As shown in Figure 5, three quarters (72%) of all residents surveyed indicated they were aware, generally, of the proposed reduction in metropolitan council numbers.

There were no significant differences in awareness amongst residents from each of the four wards.

There were significant differences in awareness based on age, with 88% of those aged 55+ years and 82% of those aged 35-54 years aware compared to only a third (35%) of those aged 18-34 years.

Figure 5: Awareness of the Proposed Reduction in Council Numbers

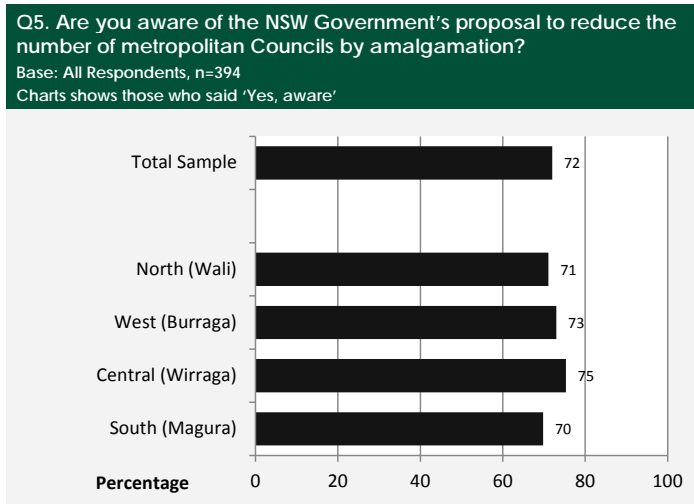
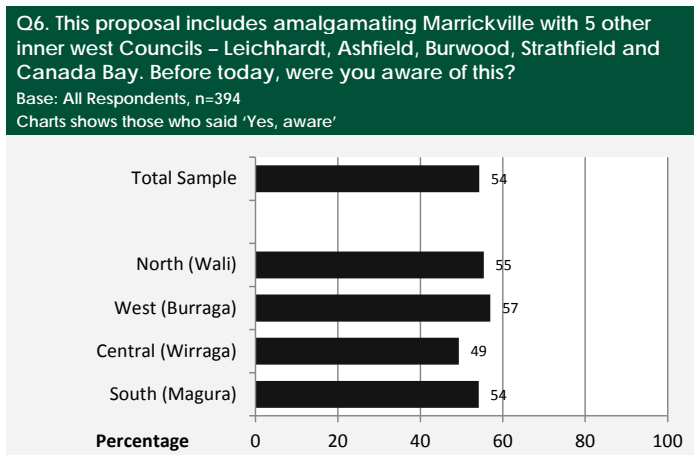


Figure 6 shows that awareness of the exact nature of the proposed changes was significantly lower, with just over half (54%) of all respondents aware of the proposed amalgamation to form an inner west council.

Again, there were no significant differences in awareness amongst residents from each ward.

Figure 6: Awareness of the Proposal for Marrickville to Amalgamate

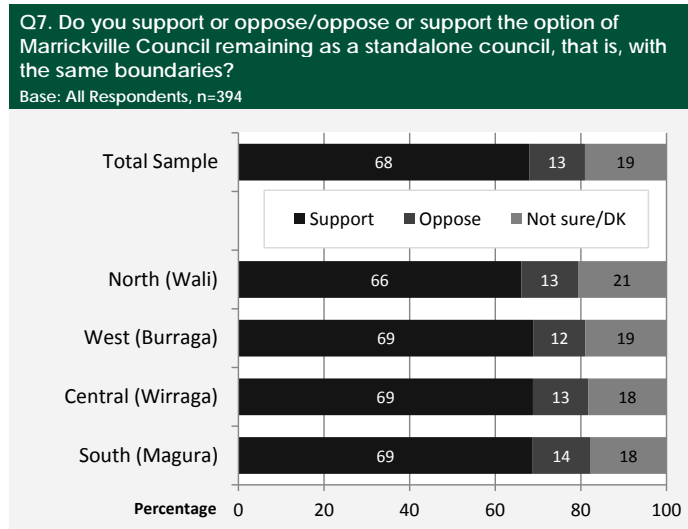


4.3. Support for Marrickville Standing Alone

The majority of residents (68%) indicated support for Marrickville Council remaining as it is now (i.e. a standalone council with the same boundaries) - see Figure 7.

Support was consistent amongst residents from each ward and did not differ significantly by age or gender.

Figure 7: Support for Marrickville Remaining Stand Alone



Amongst those who indicated support for Marrickville remaining as a standalone council, more than half (56%) indicated that they completely supported this option, with a further 37% saying they mostly supported this option with only minor concerns.

Despite only n=51 (13%) residents opposing Marrickville remaining as a standalone council nearly half (45%) said that they completely opposed this option with a further 35% saying they mostly opposed and could see only minor good points.

The main reasons given in support of standing alone were:

- ✧ Marrickville is a good council/doing a good job (28%)
- ✧ Council has good engagement with the community/community feel/look after locals/loss of identity if amalgamating (21%)
- ✧ Like the way things are at the moment/no benefit of a bigger council (15%)
- ✧ With such a huge area, services may suffer with a larger council (12%)
- ✧ Marrickville is already a large council (9%)

The main reasons given in opposition of standing alone were:

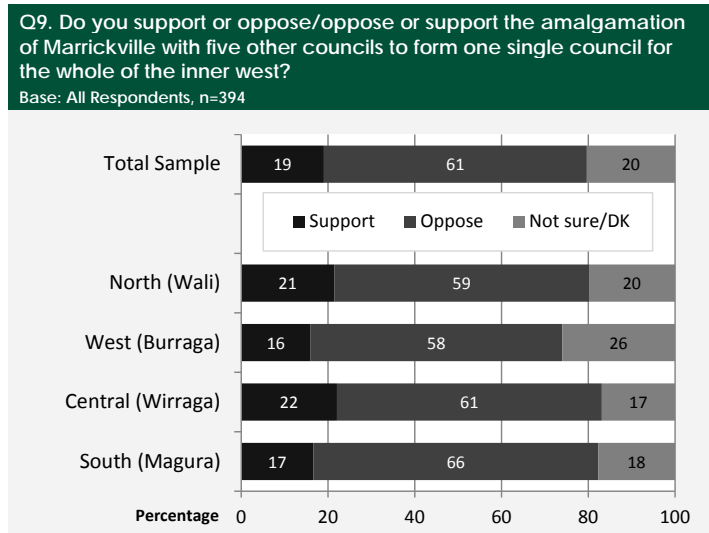
- ✧ Amalgamation would save money/cut costs/reduce expenditure/be cost effective (22%)
- ✧ Amalgamation would save on duplication of services/processes/resources (14%)
- ✧ Will get more done/better managed as a larger council (10%)

4.1. Support for Amalgamation

Figure 8 shows that support for amalgamation into one inner west council (19%) was significantly lower than support for the stand alone option (68%). In addition three out of every five residents surveyed (61%) indicated that they opposed the amalgamation option.

Again there were no significant differences in the views of those from each ward.

Figure 8: Support for Amalgamation into One Inner West Council



Even amongst the smaller (19%) group of residents who indicated support for amalgamation, 41% indicated that they mostly supported but had some minor concerns, compared to 39% who said they completely supported amalgamation.

Amongst the 61% who indicated that they opposed amalgamation, just over half indicated that they completely opposed amalgamation with a further 36% saying they mostly opposed and could see only minor good points.

The main reasons given in support of amalgamation into one single council for the inner west were:

- ✧ Saves money/cuts costs/reduces expenditure/cost effective (19%)
- ✧ More efficient services (16%)
- ✧ I think it would work/good idea/should be controlled by one council (13%)

The main reasons given in opposition of amalgamation were:

- ✧ Area too big for one council/less attention to my area/not as effective (37%)
- ✧ Different areas have different needs/issues/cultures/loss of identity (28%)
- ✧ They (councils) all do a good job/leave as is (21%)

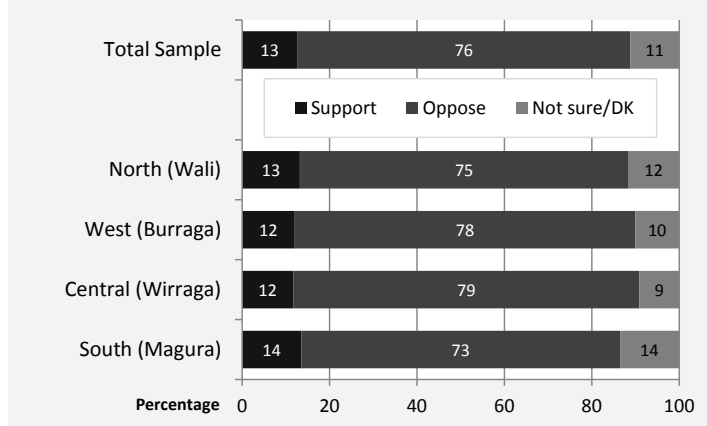
4.2. Support or Opposition for Forced Amalgamation

When asked if they opposed or supported forced amalgamation, the majority of residents (76%) said that they opposed this, with only just more than one out of ten (13%) saying they supported it.

Figure 9: Support for Forced Amalgamation

Q11. Do you support or oppose/oppose or support the NSW State Government forcing amalgamations on Councils if they do not voluntarily amalgamate?

Base: All Respondents, n=394

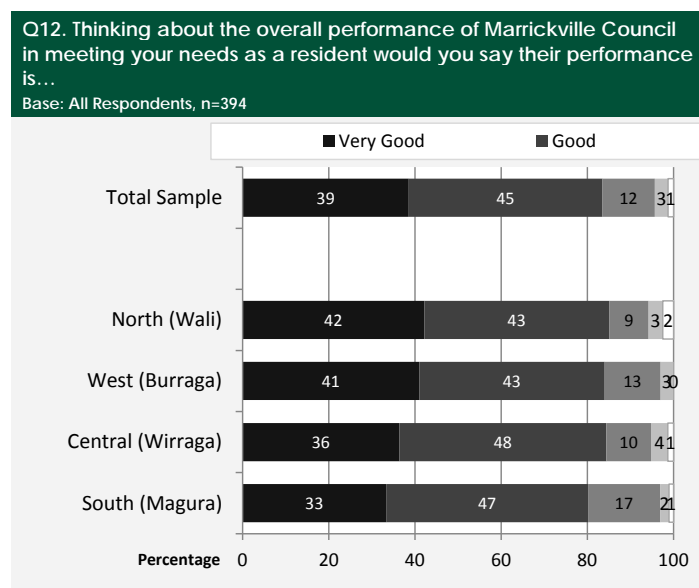


4.3. Performance of Council

All residents surveyed were asked to rate their perception of council's performance in meeting resident needs. Figure 10 shows that the majority of residents (84%) indicated that they saw council's performance as at least 'good' with nearly two out of five (39%) indicating they felt council was performing 'very good'.

Not surprisingly there was a direct link between reported performance ratings for council and support or opposition for standing alone or amalgamating. More than three quarters (77%) of those who rated council's performance as very good supported Marrickville remaining as a standalone council, while the very few (n=5) opposed remaining as a standalone council or were unsure if they supported or opposed that approach.

Figure 10: Performance of Council



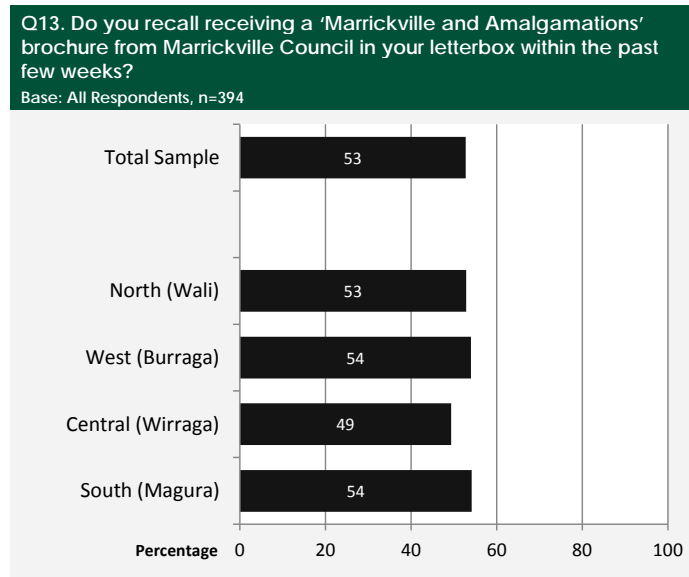
4.4. Recall of Marrickville and Amalgamation Brochure

Council has delivered a brochure called 'Marrickville and Amalgamations' to all households within the LGA.

Figure 11 shows that slightly more than half (53%) of all residents indicated that they recalled receiving the brochure titled Marrickville and Amalgamations. The level of recall did not differ significantly by what ward a resident lives in.

Interestingly recall of the brochure did not have any relationship to the support or opposition of standing alone or of amalgamation; however there was a clear relationship between overall awareness of the State Government's proposed amalgamation plan and recall of the brochure. More than nine out of ten (93%) of those who recalled receiving the brochure said they were aware of the Government's proposal, compared with only 48% of those who did not recall receiving the brochure.

Figure 11: Percentage of Residents Who Recall Receiving a Brochure



4.5. Conclusions

There is significant support for Marrickville remaining as a standalone council amongst the residents surveyed. While residents are less likely to support amalgamation into an inner west council they are even less supportive of being forced by State Government to amalgamate.

The views regarding support or opposition for each of the options presented to residents were very similar across each ward as well as across different age and gender groups.

The results show that if amalgamation into a single inner west council is to occur, a lot of work will need to be done to convince residents of the Marrickville LGA of the benefits to this new approach.

The main barriers to be overcome in the eyes of residents will be around how a larger council can continue to pay attention to the needs of each resident, their 'local' area and the needs of different cultures and groups within the community. Efficiency, both in terms of how council works and the delivery of services, will also need to be addressed. In conclusion, it appears as if Marrickville Council residents are concerned about losing the 'local' from local government in any proposed amalgamation.

Appendix I: Questionnaire Used

Introduction 1 – Random Sample

Good [.....] my name is [....] from Taverner Research, an independent market research company based in Surry Hills.

Today we are conducting a very short survey about the NSW government's proposal to reduce council numbers by amalgamating councils and would appreciate your input.

For this survey we need to speak to the youngest person in your household aged 18 years of age or over.

- | | |
|--------|----------------------------|
| 1. Yes | CONTINUE |
| 2. No | THANK AND TERMINATE |

IF ASKED: The survey will take about 8 minutes.

Introduction 2 – Non-Random Sample

Hello can I please speak to [INSERT NAME FROM DATABASE]. Good [.....] my name is [....] from Taverner Research, an independent market research company based in Surry Hills.

Today we are conducting a very short survey about the NSW government's proposal to reduce council numbers by amalgamating councils and would appreciate your input.

- | | |
|--------|----------------------------|
| 1. Yes | CONTINUE |
| 2. No | THANK AND TERMINATE |

IF ASKED: The survey will take about 8 minutes.

- 1. In order to ensure we ask you the relevant questions, please tell me the suburb and postcode in which you live?** **SINGLE RESPONSE**

- | | |
|-----------------|----------------------------|
| 1. Camperdown | ASK Q1a |
| 2. Dulwich Hill | |
| 3. Enmore | |
| 4. Lewisham | |
| 5. Marrickville | |
| 6. Newtown | ASK Q1a |
| 7. Petersham | |
| 8. St Peters | ASK Q1a |
| 9. Stanmore | |
| 10. Sydenham | |
| 11. Tempe | |
| 12. Other | THANK AND TERMINATE |

IF CODES 1, 6 OR 8 ASK Q1a, ALL OTHERS GO TO Q2

- 1a. Do you live within the Marrickville Council area?**

- | | |
|--------------|---|
| 1. Yes | CONTINUE |
| 2. No/Unsure | THANK AND TERMINATE AS OUT OF AREA |

Q1b. AUTO QUESTION TO GROUP INTO WARDS

Q1 SUBURB	WARD	INSTRUCTION
Camperdown	North	GO TO Q2
Dulwich Hill		ASK Q1c
Enmore		ASK Q1c
Lewisham	Central	GO TO Q2
Marrickville		ASK Q1c
Newtown	North	GO TO Q2
Petersham		ASK Q1c
St. Peters	South	GO TO Q2
Stanmore		ASK Q1c
Sydenham	South	GO TO Q2
Tempe	South	GO TO Q2

Q1c. Do you know which ward you live in? Would it be...

1. North (Wall) CODE INTO QUOTA GROUP AND GO TO Q2
2. West (Burruga) CODE INTO QUOTA GROUP AND GO TO Q2
3. Central (Wirraga) CODE INTO QUOTA GROUP AND GO TO Q2
4. South (Magura) CODE INTO QUOTA GROUP AND GO TO Q2
5. Don't know ASK Q1d.

Q1d. So that I can find out which ward you live in can you please provide me with your street address?**RECORD**

IF NEEDED SAY: Your address will only be used to identify which ward you live in and will not be provided to Marrickville Council as part of the research results.

2. Please tell me your age group. Is it READ OUT SINGLE RESPONSE

1. 18-24
2. 25-34
3. 35-44
4. 45-54
5. 55-64
6. 65+
7. (Rather not say)

3. RECORD GENDER

1. Male
2. Female

4. Which of these do you most strongly identify with? READ OUT RANDOMISE

1. The inner west
2. The Marrickville local government area
3. The suburb you live in

Amalgamation Questions

5. Are you aware of the NSW Government's proposal to reduce the number of metropolitan Councils by amalgamation? SINGLE RESPONSE

1. Yes
2. No
3. Not sure/DK

6. This proposal includes amalgamating Marrickville with 5 other inner west Councils – Leichhardt, Ashfield, Burwood, Strathfield and Canada Bay. Before today, were you aware of this?

SINGLE RESPONSE

1. Yes
2. No
3. Not sure/DK

RANDOMISE ASKING Q7A/B & Q8A/B/C FIRST AND Q9A/B & Q10A/B FIRST

7. A. Do you support or oppose the option of Marrickville Council remaining as a standalone council, that is, with the same boundaries? SINGLE RESPONSE
7. B. Do you oppose or support the option of Marrickville Council remaining as a standalone council, that is, with the same boundaries?

SINGLE RESPONSE

1. Support – ASK Q8A
2. Oppose – ASK Q8B
3. Not sure/DK GO TO Q9

DP: PLEASE SET UP SO THAT Q7A AND Q7B ARE SHOWN ALTERNATIVELY FOR EACH SURVEY

8. A And would that be...

1. Completely support
2. Mostly support, with minor concerns
3. Slightly support but with major concerns
4. (Unsure/Don't know) DO NOT READ OUT

GO TO Q8C

8. B. And would that be...

1. Completely oppose
2. Mostly oppose, see only minor good points
3. Slightly oppose, despite seeing a lot of good points
4. (Unsure/Don't know) DO NOT READ OUT

8. C What is the main reason you say that you [INSERT RESPONSE FROM Q8A/B] the standalone option?

PROBE FULLY: Why else do you feel this way?

9. A. Do you support or oppose the amalgamation of Marrickville with five other councils to form one single council for the whole of the Inner West? SINGLE RESPONSE

9. B. Do you oppose or support the amalgamation of Marrickville with five other councils to form one single council for the whole of the Inner West? SINGLE RESPONSE

1. Support – ASK Q10A
2. Oppose – ASK Q10B
3. Not sure/DK GO TO Q11

DP: PLEASE SET UP SO THAT Q9A AND Q9B ARE SHOWN ALTERNATIVELY FOR EACH SURVEY

10. A And would that be...

1. Completely support
2. Mostly support, with minor concerns
3. Slightly support but with major concerns
4. (Unsure/Don't know) DO NOT READ OUT

GO TO Q10C

10. B. And would that be...

1. Completely oppose
2. Mostly oppose, see only minor good points
3. Slightly oppose, despite seeing a lot of good points
4. (Unsure/Don't know) DO NOT READ OUT

10. C What is the main reason you say that you [INSERT RESPONSE FROM Q10A/10B] the option to amalgamate?

PROBE FULLY: Why else do you feel this way?

11. A Do you support or oppose the NSW State Government forcing amalgamations on Councils if they do not voluntarily amalgamate?

1. Support
2. Oppose
3. Don't know/unsure

11. B Do you oppose or support the NSW State Government forcing amalgamations on Councils if they do not voluntarily amalgamate?

1. Support
2. Oppose
3. Don't know/unsure

12. Thinking about the overall performance of Marrickville Council in meeting your needs as a resident would you say their performance is...

1. Very good
2. Good
3. Neither good nor poor
4. Poor
5. Very poor

13. Do you recall receiving a 'Marrickville and Amalgamations' brochure from Marrickville Council in your letterbox within the past few weeks?

1. Yes
2. No

Demographic Questions

14. Do you own a business within the Marrickville local government area?

1. Yes IF YES SPECIFY SUBURB (USE LIST FROM Q1)
2. No

15. Do you own (includes having a mortgage) or rent the home you are living in? IF SOMEONE IS LIVING WITH PARENTS/SHARE HOUSE ETC. RECORD OWNERSHIP BASED ON THE RESIDENCE. SINGLE RESPONSE

1. Own/mortgage
2. Rent (public/private) or share house

USUAL THANK AND CLOSE

Appendix II: Commentary on the Sample Used

The original proposal included a sample design to achieve a representative sample of Marrickville Residents by age and gender while at the same time achieving equal samples (n=100) in each ward.

To achieve this random digit dial sampling was supplemented by sample from a database of 3m+ consumers where age, gender and location (postcode) were known. This allowed targeted sampling of the hard to reach younger respondents (aged under 35 years) and more specifically males.

Another benefit of inclusion of the consumer database sample is to allow those from mobile phone only households to have an opportunity to participate. This group now makes up approximately 20% of all households in Australia and is nearing 50% amongst those in the under 35 year old age group. Another consequence of an older sample is under-representation of renters and over-representation of home owners (including those with a mortgage).

The sample achieved by sample source and age group is shown in the table below.

	Target N	Achieved N
Random Sample	330	279
Consumer Database	70	115

The achieved N from the consumer database was larger than originally planned as the number of 18-34 year olds achieved from the random sampling approach was significantly lower than expected. Despite the increased use of the consumer database sample the age quotas for the 18-34 year old segment were not able to be reached due to the limited supply of numbers within the overall database (n=252 contacts aged 18-24 and n=1,049 aged 25-34).

From the non-random sample we achieved the following in each age and gender cohort:

	Available Contacts in Consumer Database	Achieved N from Consumer Database	Achieved N from Random Sampling	Total N Achieved
Males 18-24	99	1	8	9
Females 18-24	153	5	8	13
Males 25-34	462	18	12	30
Females 25-34	587	24	21	45

Without inclusion of the consumer database sample the number of respondents in the final sample from a purely random approach would have been significantly older (given that the consumer database sample also delivered a number of 35-44 year olds). Therefore we believe it has been effective in achieving a sample that more closely represents the total population than a pure random landline sampling approach would have achieved.

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TAVERNER
RESEARCH

5. Media report 2015

Media Release



25 February 2015

Marrickville Council is already Fit for the Future

Marrickville Councillors last night heard that Marrickville Council is already 'Fit for the Future' according to the state government's own benchmarking.

The state government is proposing widespread local government mergers, recommending that Marrickville amalgamate with Ashfield, Burwood, Canada Bay, Leichhardt, and Strathfield councils.

Councils are required to prepare a business case to establish if they are 'fit for the future' by 30 June 2015. The assessment criteria includes financial sustainability, effectiveness in delivering services and managing infrastructure, efficiency, and scale and capacity.

The state government says Marrickville could only achieve appropriate scale and capacity by amalgamating with the other five inner west councils.

But according to a report by consultants Morrison Low, mergers will not have any benefits for Marrickville Council residents.

"Some of the fascinating detail to emerge from the report is that, according to the state government's own benchmarking, Marrickville Council currently meets four of the six (and if our Special Rate Variation application to IPART is successful, we will meet five of the six)," said Mayor of Marrickville Councillor Mark Gardiner.

"Some of these measurements include operating performance, asset renewal and maintenance, and debt servicing.

"Meanwhile, the proposed new 'Super Council' – Marrickville with Ashfield, Burwood, Canada Bay, Leichhardt, and Strathfield – would only meet four of the benchmarks.

"As well, the consultants told us there would be a significant rate impact on some of our residents – and not in a good way! Most worrying of all is that the Super Council would be no better off in the problem of infrastructure backlogs," Mayor Gardiner said.

Marrickville Council is opposed to forced amalgamations, but is currently working with other inner west councils to identify, through shared modelling, what amalgamations will mean for residents in terms of financial sustainability, rates, service delivery and residents' ability to participate in local decision making.

"And the results of this modelling shows that Marrickville Council will be in a better position against the state government's benchmarks if we stand alone rather than if we merge with other inner west councils," Mayor Gardiner said.

The full report and the presentation made to Councillors last night are available on Council's website.

ENDS

Elizabeth Heath, Communications and Marketing Coordinator, 9392 5334 or 0428 115 292
Paul Nunes, Communication Officer, 9335 2063

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Media Release



30 March 2015

Council asks community about amalgamations

With the re-election of the Baird Coalition government on Saturday, the community must now confront the issue of local government amalgamations, said Mayor of Marrickville Councillor Mark Gardiner.

"The previous government had a policy of 'no forced amalgamations' and that was the policy they took to the electorate back in 2011," Councillor Gardiner said.

"However Mike Baird is on record as saying he believes there are far too many councils in Sydney, and that his government would 'consider its options' if councils declined to voluntarily amalgamate.

"Marrickville Council's official position is that we support local government reform, but oppose forced amalgamations," Councillor Gardiner said.

In September last year, the State Government released the 'Fit for the Future' blueprint for the future of local government, based on the Independent Local Government Review Panel's (ILGRP) recommendations.

To be 'Fit', almost every council must show scale and capacity, financial sustainability, and efficiency and effectiveness of service delivery and infrastructure management.

The ILGRP says Marrickville can only meet scale and capacity by amalgamating with five other inner west councils and achieving a population of 342,000.

"We have until June to prove whether we are 'Fit' to stand alone, or whether we need to amalgamate to meet the challenges of the future," said Councillor Gardiner.

"It's time to ask, What will an amalgamated inner west council mean for Marrickville?"

"We need to know exactly what our residents think about us merging with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield councils," Councillor Gardiner said.

Residents will receive a brochure in the next few days, outlining the state government's amalgamations proposals and recommendations.

"Simply put – What possible advantage will our community gain from amalgamating? Or are we better off making a case to stand-alone? If we are to avoid a forced amalgamation, then we must act. Doing nothing is not an option," Councillor Gardiner said.

All residents are invited to complete a survey, either via mail or online. Go to Council's website www.marrickville.nsw.gov.au or <http://yoursaymarrickville.com.au>

ENDS

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CANADA BAY

Merger: report predicts rates spike

FEARS OF 80 PER CENT RISE FOR BUSINESSES

Shireen Khalil

CANADA Bay residents could be slugged with a 20 per cent rate rise if there is a council amalgamation.

An independent report into the State Government's proposal to introduce a super council (Ashfield, Burwood, Leichhardt and Marrickville) revealed businesses could also be hit with an 80 per cent increase in rates, according to mayor Angelo Tsirekas.

All five inner west councils who oppose the amalgamation, have independently funded Morrison Low, a consulting firm, to generate a report about each of their financial standings if a mega council is formed.

"The report clearly shows that rates will most certainly rise across Canada Bay – with no guarantee the money will go back into the community," Cr Tsirekas said.

"Potentially, they will be spread across six council areas with our community seeing very little of the money."

Cr Tsirekas said if a super council is formed, Canada Bay could potentially only have one councillor for

more than 22,000 residents.

Each council has allocated funds for this report to assist them in preparing the documentation required by the State Government as part of Fit for the Future.

At Canada Bay Council's recent meeting, councillors voted to consult the community and provide information from the Morrison Low Report, to gain community feedback before making a final decision on its stance on Fit for the Future.

"Our community needs to be aware of all the issues and needs to start asking some questions of the State Government," Cr Tsirekas said.

Should there be a super council? Email

shireen.khalil@news.com.au

SUPER COUNCIL

■ If there is a super council, Canada Bay residents could be hit with a 20 per cent rate rise and businesses up to 80 per cent

■ If you have queries or questions email noforcedmergers@canadabay.nsw.goc.au



03 Mar 2015
Inner West Courier, Sydney



Author: Shireen Khalil • Section: General News • Article type : News Item • Audience : 79,707
Page: 19 • Printed Size: 323.00cm² • Market: NSW • Country: Australia • ASR: AUD 1,545
Words: 312 • Item ID: 378739945

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Page 2 of 2



Canada Bay Mayor Angelo Tsirekas with Burwood Mayor John Faker, Leichhardt Mayor Rochelle Porteous, Marrickville Mayor Mark Gardiner and Ashfield Mayor Lucille McKenna.



03 Mar 2015
Inner West Courier, Sydney



Author: Sarah Sharples • Section: Edition Changes - City • Article type : News Item
Audience : 79,707 • Page: 13 • Printed Size: 319.00cm² • Market: NSW • Country: Australia
ASR: AUD 1,526 • Words: 277 • Item ID: 378756907

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Page 1 of 2

MARRICKVILLE

Mayor says no to forced merger **AMALGAMATION 'NOT BEST FOR RESIDENTS'**

Sarah Sharples

AN INNER west “super council” would be no better off in addressing infrastructure backlogs and could increase rates, Marrickville Mayor Mark Gardiner said.

The NSW Government is investigating council amalgamations, recommending Marrickville council merge with Ashfield, Burwood, Canada Bay, Leichhardt, and Strathfield.

The councils are required to prepare a business case to establish if they are “fit for the future” by June 30, with an assessment criteria that includes financial sustainability, effectiveness in services and managing infrastructure, efficiency, and scale and capacity.

Marrickville Council received a report from consultants that found mergers will not have any benefits for Marrickville residents.

“Some of the fascinating detail to emerge from the report is that, according to the State Government’s own benchmarking, Marrickville Council currently meets four of the six – and if our special rate variation application to IPART is successful, we will meet five of the six,” Cr Gardiner said.

“Some of these measurements include operating performance, asset renewal and maintenance, and debt servicing.”

Cr Gardiner said the proposed “super council” would only meet four of the benchmarks.

“As well, the consultants told us there would be a significant rate impact on some of our residents – and not in a good way,” he said.

Marrickville Council is opposed to forced amalgamations, but is working with other inner west councils to identify what amalgamations will mean for residents, Cr Gardiner said.

What’s your opinion about councils amalgamating? Tell us at Facebook/innerwestcourier

IMPACTS

Inner west councils are looking at what amalgamating would mean for residents in the areas of financial sustainability, rates, service delivery and decision making



03 Mar 2015
Inner West Courier, Sydney



Author: Sarah Sharples • Section: Edition Changes - City • Article type : News Item
Audience : 79,707 • Page: 13 • Printed Size: 319.00cm² • Market: NSW • Country: Australia
ASR: AUD 1,526 • Words: 277 • Item ID: 378756907

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Page 2 of 2



Marrickville Mayor Mark Gardiner opposes proposed council mergers.

Picture: CRAIG WILSON



04 Mar 2015
Burwood Scene, Burwood, NSW



Author: Belinda Noonan • Section: General News • Article type : News Item • Audience : 63,000
Page: 3 • Printed Size: 269.00cm² • Market: NSW • Country: Australia • ASR: AUD 670
Words: 570 • Item ID: 380071379

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Page 1 of 1

Council merger report inconclusive

by Belinda Noonan

AN INDEPENDENT report by local government experts Morrison Low commissioned by five inner west councils into the benefits or otherwise of council mergers has been delivered to Ashfield, Burwood, Canada Bay, Marrickville and Leichhardt.

The 127-page Morrison Low report looked at shared modelling across a broad

range of factors (financial, social, environmental) based on the NSW Government's local government reform package *Fit for the Future* but makes no recommendations on any course of action.

"This report is intended to provide a collective body of information that each council will then use to determine what is in the best interests of the council and community. As such it does not seek to recommend any one option over another option for a particular council," the report states.

"The modelling is intended to allow the councils to individually and collectively understand what the benefits and dis-benefits of the merger of the inner west councils and what a series of other options might be."

The report involved analysing historic, current and forecast performance and transitional costs.

The *Fit for the Future* program requires councils to actively assess their scale and capacity in achieving long term sustainability and for councils to submit proposals to the Government by June this year indicating how they will achieve these objectives.

Among the options considered was keeping the

status quo (how councils operate now), a modified status quo (increasing shared services), an inner west council or other possible council mergers.

"The Independent Panel position was that scale and capacity in the inner west arises through a merger of the inner west. While it is entirely possible for a council to make what would be in our view a valid argument that they can meet the scale and capacity tests, councils need to do so recognising the stated government position which runs contrary to that," the report says.

Ashfield Council have been the first to respond to the report.

"The shared modelling exercise has provided Council with detailed analysis with which to make well-informed decisions going forwards," the council minutes reveal.

Mayor Lucille McKenna said that a community consultation process would begin almost immediately.

"I believe we need to have a robust discussion with the community as to what they want the future structure of local government for Ashfield to be," Cr McKenna said.

"We will be asking local residents which of the three options they would support - remaining a stand-alone council, merging with the six neighbouring councils, or merging with the city faced councils of Marrickville and Leichhardt."

At the council meeting last week Ashfield Council noted that "Bankstown and Campbelltown Councils have been recommended as stand-alone councils, with respective populations to 2031 of 222,000 and 233,000."

A merger of six inner west councils would include over 432,000 people.

In the coming weeks, Ashfield

residents and ratepayers will receive an Information Pack and a Community Survey.

Marrickville Council have been active in two different merger discussions. One with neighbouring inner west councils and also with the councils in the Botany area.

Strathfield Council, which did not take part in the Morrison Low report, remains committed to being a stand-alone council. A political debate between Member for Strathfield Charles Casuscelli and Labor candidate Jodi McKay has been organised by 'Save Our Strathfield' at Strathfield Town Hall on Saturday March 7 at 3pm.

Burwood and City of Canada Bay councils are yet to formally comment on the Morrison Low report, however Burwood Council confirmed that information to its community will commence in the next few weeks.



Super council won't benefit locals

MARRICKVILLE residents won't benefit from being part of a new "super council", according to a consultant's report.

The super council is one of the State Government's proposed widespread local government mergers, recommending that Marrickville amalgamate with Ashfield, Burwood, Canada Bay, Leichhardt and Strathfield councils.

Councils are required to prepare a business case to establish if they are 'fit for the future' by June 30. The assessment criteria includes financial sustainability, effectiveness in delivering services and managing infrastructure, efficiency, and scale and capacity.

Councillors were told this week that Marrickville Council was already 'fit for the future', according to the State Govern-

ment's own benchmarking.

The State Government said Marrickville could only achieve appropriate scale and capacity by amalgamating with the other five inner west councils, but according to a report by consultants Morrison Low, mergers will not have any benefits for Marrickville Council residents.

"Some of the fascinating detail to emerge from the report is that, according to the State Government's own benchmarking, Marrickville Council currently meets four of the six (and if our Special Rate Variation application to IPART is successful, we will meet five of the six)," Marrickville Mayor Mark Gardiner said.

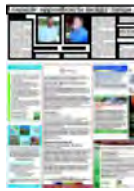
"Some of these measurements include operating performance, asset renewal and maintenance, and debt servic-

ing.

"Meanwhile, the proposed new 'super council' would only meet four of the benchmarks.

"As well, the consultants told us there would be a significant rate impact on some of our residents – and not in a good way. Most worrying of all is that the Super Council would be no better off in the problem of infrastructure backlogs."

Marrickville Council is opposed to forced amalgamations, but is working with other inner west councils to identify what amalgamations will mean for residents in terms of financial sustainability, rates, service delivery and residents' ability to participate in local decision making.



10 Mar 2015
Sydney Morning Herald, Sydney



Author: Harvey Grennan • Section: Local Government • Article type : News Item
Audience : 114,634 • Page: 29 • Printed Size: 252.00cm² • Market: NSW • Country: Australia
ASR: AUD 20,169 • Words: 345 • Item ID: 381287619

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Page 1 of 1

[back](#)

Councils' opposition to merger ramps up

Harvey Grennan

Councils are ramping up their opposition to the prospect of forced mergers after the state election by raising fears of higher rates, lost jobs and fewer services.

Leichhardt, Canada Bay, Ashfield, Burwood and Marrickville councils, which face amalgamation into a "super council" of 342,000 residents, are touting a report from consultants Morrison Low. The greatest negative effect, the report says, is the reduction in the number of councillors, making it more difficult for residents to access their council.

The report says creating a super council would cost around \$60 million more than the government would provide, would meet only four of the seven Fit for the Future benchmarks after 10 years and could mean higher rates for high-value properties.

Canada Bay mayor Angelo Tsirekas said his residents could pay up to 20 per cent more in rates, while businesses could pay 80 per cent more. The report says the average residential rate would rise in Leichhardt, Canada Bay and Strathfield and decline in Marrickville, Ashfield and Burwood.

At Holroyd Council more than 230 residents and business owners attended a recent Hands off Holroyd rally.

Most telling for the government was that all local sitting MPs and political candidates supported the council's stance. A second rally will be held on March 19, nine days before the election.

"The meeting provided people the chance to find out how 450 jobs could be lost and crucial services like childcare, disability care, free baby immunisation and Meals on Wheels could be reduced or scrapped altogether," Mayor Greg Cummings said.

A paper challenging the argu-

ments for amalgamation by the Mayor of Mosman, economist Peter Abelson, and Macquarie University Associate Professor Rose-lyne Joyeux has been accepted for publication by the international journal *Public Money and Management*.

In the paper, *Smoke and Mirrors*, recently presented to a Local Government Professionals Australia forum, they dispute the claim that larger councils are more financially sustainable than small ones.

The greatest negative effect, the report says, is the reduction in the number of councillors.



Canada Bay mayor Angelo Tsirekas: Hefty rises in rates.



Holroyd Council mayor Greg Cummings: Jobs could be lost.



10 Mar 2015
Inner West Courier, Sydney

Section: General News • Article type : News Item • Audience : 79,707 • Page: 46
Printed Size: 149.00cm² • Market: NSW • Country: Australia • ASR: AUD 713 • Words: 362
Item ID: 381174606

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Page 1 of 1

 back

Amalgamation risks

ANY amalgamation is a gamble for Marrickville.

The inner west council amalgamation would create the biggest council in NSW.

The report modelling is intended to allow the councils to individually and collectively assess the effect of the merger.

Thirty-seven years of rate pegging has smashed all NSW councils' ability to raise revenue from rates compared to states such as Queensland and Victoria.

Rate pegging ties rates to changes in the CPI (Consumer Price Index) not the value of land.

Even though NSW councils are seen as leaner and more efficient as a result of rate pegging, all inner west councils are finding it difficult to maintain the standard of roads, paths, parks and storm-water facilities (see pages 18–21 of the report).

The confidential Morrison Low report confirms that inner west councils are struggling with infrastructure renewal and that the \$150m savings the NSW Government is expecting with the inner west amalgamations will enable councils to achieve longer term sustainability.

But these savings are not guaranteed (See page 61 of the report).

The Fit for the Future program set seven benchmarks for NSW councils to achieve.

Marrickville can't achieve two of these; asset maintenance and infrastructure backlog.

All six inner west councils fail these benchmarks.

But as the whole always equals the sum of the parts it should come as no surprise that the shared modelling shows a new amalgamated inner west super council would fail these benchmarks as well.

The report is a bit less direct, it says: "The business case is high level and implementation costs and attaining benefits will be difficult to achieve" (see page 61).

So bets are on and risks are there for Marrickville, which is one of the largest councils in the group of six, because Marrickville alone can achieve the same benchmarks as the amalgamated council if the recent 3 per cent SRV is approved (see page 5).

I'm concerned about taking the gamble, forced or not, council amalgamations pose a risk and are a bad idea.

What do you think?

The Morrison Low Report Inner West Councils Fit for the Future Shared Modelling is now available on the Marrickville Council website link: marrickville.nsw.gov.au/global/council/news%20and%20notices/morrison%20and%20low%20full%20report.pdf

CHRIS WOODS,
Labor Marrickville Councillor



17 Mar 2015
Inner West Courier, Sydney



Author: Shireen Khalil • Section: General News • Article type : News Item • Audience : 79,707
Page: 17 • Printed Size: 315.00cm² • Market: NSW • Country: Australia • ASR: AUD 1,507
Words: 304 • Item ID: 383525272

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Page 1 of 1

[back](#)

CONCORD WEST/CROYDON

Candidates to front forum on merger

CHANCE FOR COMMUNITY TO POSE QUESTIONS

Shireen Khalil

CANADA Bay Council will hold a public meeting to address the State Government's proposed local government amalgamations.

It is one of several inner-west councils united in opposition to the plan for one super-council overseeing 342,000 residents – three times the average size of the existing councils.

Mayor Angelo Tsirekas is encouraging the community to attend the meeting on Thursday at Concord RSL where state candidates for Drummoyne will answer questions on the controversial proposal ahead of the March election.

“For our community groups who use open spaces for sport, and other community facilities, come along and find out what a proposed inner-west mega council will mean,” Cr Tsirekas said.

He said one of the big issues for his community is rate rises, with an independent report showing Canada Bay residents will pay up to 10-12 per cent more in rates,

and businesses could face an increase of up to 80 per cent.

“There is very little evidence that suggests an amalgamation with Ashfield, Burwood, Leichhardt, Marrickville and Strathfield will benefit the Canada Bay community,” he said.

“We worked with five of the other inner-west councils to generate an independent report from Morrison

and Low which shows there will be more disadvantages than advantages of an inner-west mega council.”

He said the report also shows the start-up costs of a new mega council would be about \$60 million, which far exceeds the \$10.5 million the State Government is offering the affected councils to assist with the amalgamation process.

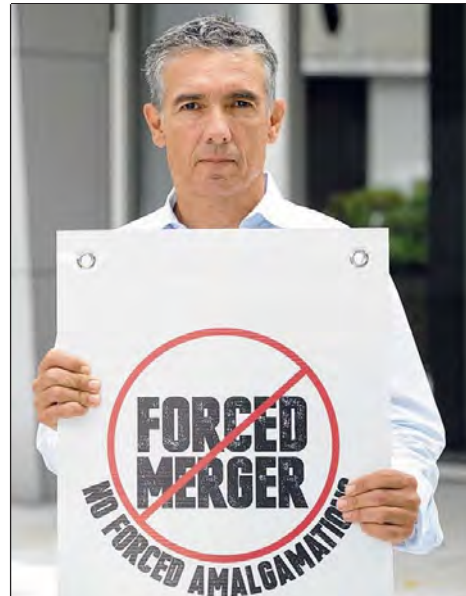
UP FOR DEBATE

WHAT: Public meeting to discuss potential amalgamations

WHERE: Concord RSL, Nirranda St, Concord West

WHEN: Thursday, 6.30pm

WHO: John Sidoti (Liberal candidate and sitting state MP for Drummoyne); Jason Khoury (Labor candidate for the seat); Alice Mantel (Greens candidate)



Canada Bay Mayor Angelo Tsirekas Picture: CRAIG WILSON



25 Mar 2015
Sydney Morning Herald, Sydney

Author: Leesha McKenny • Section: General News • Article type : News Item
Audience : 114,634 • Page: 6 • Printed Size: 155.00cm² • Market: NSW
Country: Australia • ASR: AUD 12,406 • Words: 318 • Item ID: 386403299

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Page 1 of 1

Cost of council rationalisation could significantly exceed \$445 million

Leesha McKenny

Drastically reducing the number of NSW councils would carry an upfront cost of \$445 million, the NSW parliamentary budget office has estimated.

However, the cost of cutting the state's 152 councils to just 38 would be "significantly higher" if the mergers were forced, the briefing note said. "It is assumed the council mergers would be voluntary, not forced, therefore any costs arising from legal challenges to or disputes about the merger have not been included," it said.

The costing, sought by Labor, assumes almost every merger put forward in 2013 by the Independent Local Government Review Panel came about, instead of other options also detailed in the panel's report, such as joint organisations.

The proposal to merge Botany Bay, the City of Sydney, Waverley,

Randwick and Woollahra carried the highest initial cost, at \$37.6 million. This figure was followed by \$31.5 million to merge the inner-west councils of Marrickville, Ashfield, Burwood, Canada Bay, Leichhardt and Strathfield.

"IT and communications systems expenditure" was identified as the biggest cost, at 45 per cent, while employment transition costs were put at about 20 per cent.

Labor's local government spokeswoman Sophie Cotsis seized on the figures as proof the Coalition's "Fit for the Future" reform package, which requires councils to consider voluntary mergers, was a "complete sham".

"The Liberals and Nationals' claim they are putting \$258 million on the table to help councils merge

- that is at least a \$187 million shortfall of the true cost that has been confirmed by the PBO," Ms Cotsis said.

But the briefing note also estimated the net cost of the mergers to be \$114 million, noting most of the savings "will continue to accrue over the long term".

A spokeswoman for Local Government Minister Paul Toole said reducing 152 councils to 38 was "not our policy". But the spokeswoman declined to rule out whether some councils would be forced to merge, should the Baird government be re-elected.



25 Mar 2015
 Sydney Morning Herald, Sydney

Author: Leesha McKenny • Section: General News • Article type : News Item
 Audience : 114,634 • Page: 6 • Printed Size: 994.00cm² • Market: NSW
 Country: Australia • ASR: AUD 79,556 • Words: 1044 • Item ID: 386403484

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Voters unmoved by forced mergers



Local government
 Leesha McKenny

“Local government’s terrible. This city should have five councils at best.” This was the seemingly unguarded response from Treasurer Andrew Constance when asked about council mergers.

“We have offered up the carrot first up, we’re going to have to pull out the stick,” he told the audience at a CPA Australia breakfast in October last year.

But what Mr Constance hastily clarified as his “personal view” also inadvertently summed up what many regard as the central difference in this election between the two major parties’ approach to local government: Sydney might have far fewer councils, depending on who wins office in March.

The issue has heavily occupied Sydney’s councillors since the state government released a reform package in September, which followed on from a report recommending Sydney’s 41 councils be reduced to between 15 and 18.

Most councillors and mayors are vocally against amalgamations, which the government’s reform package nonetheless requires them to consider. Both Labor and the Greens are opposed to any push to forcibly reduce the number of councils.

But the electorate’s position is far less emphatic. A Fairfax/Ipsos poll of 1000 voters in November found only 1 per cent said the issue would determine which party they supported.

Almost half – 48 per cent – agree with Mr Constance that there are too many councils, while 45 per cent opposed a reduction.

But views hardened on compelling councils to merge: 54 per cent opposed forced amalgamations, with 40 per cent in favour.

The government’s position, by omission, is a notable departure from its platform heading into the last election, when it promised no councils would be forced to merge.

Premier Mike Baird said the state needed fewer councils, adding that forced mergers were “not our plan”. “But obviously we need to see what comes forward in terms of local councils,” he said.

The government might not be ruling out the stick this election, but it is heavily emphasising the carrot: the \$258 million in funding

for councils willing to amalgamate voluntarily.

The money, part of a “Fit for the Future” reform package, includes a grant of \$10.5 million for any council formed through a merger. Additional funding of up to \$12.5 million for every 50,000 residents in each new council over a threshold of 250,000.

Councils have been given until the end of the financial year to put forward merger proposals, or to justify – against benchmarks including size, financial sustainability and services – why they should not be required to do so. The proposals are to be assessed by a yet-to-be-assembled expert panel.

The Greens call the reforms “forced amalgamation by stealth” because they will financially punish councils that refuse to merge.

Labor argues there is “little empirical evidence” that larger councils are more efficient than smaller ones, and would put the onus heavily back on those councils wanting to merge.

The party has set out “five key requirements” any voluntarily amalgamating councils will be required to meet, including an independent cost-benefit analysis,

community consultation, and commitment that there be no overall job losses or reduction in services.



25 Mar 2015
 Sydney Morning Herald, Sydney



Author: Leesha McKenny • Section: General News • Article type : News Item
 Audience : 114,634 • Page: 6 • Printed Size: 994.00cm² • Market: NSW
 Country: Australia • ASR: AUD 79,556 • Words: 1044 • Item ID: 386403484

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WHAT THE EXPERTS SAY

Roberta Ryan, director, Australian Centre of Excellence for Local Government

This election, the question of whether amalgamations are the “silver bullet” to help underperforming councils achieve this aim is the one issue separating the two major parties. “The age-old structural reform debate both parties are engaging in this election should be based on an understanding of what communities want from their councils in the future,” Ryan said. “And what communities want depends on where they live.”

Research by the Australian Centre of Excellence for Local Government found that regional and remote communities were most likely to believe their political representation would be much worse after amalgamation. But the centre also found most people thought mergers would either improve or make no difference to their feeling of belonging to a local area.

“Communities just aren’t that fascinated by lines on a map or the old road, rates and rubbish view of the world,” Ryan said. “And achieving this is not as easy as simply merging councils.”

Graham Sansom (below), chairman of the Independent Local Government Review Panel

Reforming the way local government collects its biggest source of revenue, rates, has been lost in the amalgamation debate, Graham Sansom says. Sansom, who chaired a independent review of local government, said “we await action” on the panel’s proposals that he says would make the rating system fairer and more efficient. “Council rates are a tax on property – on wealth – and could contribute to a fairer society,” Sansom says. “But in practice they often increase inequity.”



Firstly, rates are calculated locally. “In wealthy areas, like Woollahra or Mosman, residential rates are typically less than 0.2 per cent of land values,” he said.

Rates are also levied purely on land value and NSW also has a complex system of rate exemptions and concessions. Sansom says some of these give a “free ride” to landowners who could pay, such as wealthy private schools.

David Borger, western Sydney director, Sydney Business Chamber

Councils need better leadership, and amalgamations are one way to deliver it, David Borger says. The former mayor of Parramatta and state Labor MP says mergers – forced ones, if necessary – would help improve the strategic thinking so often lacking in the elected leadership of many councils.

“There’s greater scrutiny and accountability if you’ve only got a few very large councils,” Borger says. “The selection process should be more competitive, which should drive better candidates from all sides.”

Borger says the annual election of mayors leads to instability and short term thinking, and weakens the role of the mayor.

“Often it’s very hard to focus on the big strategic issues and as a result of that it’s probably unelected people who make the call on policy matters, or councils often don’t have a position it just keeps changing all the time,” he says.

Fewer councils should also be accompanied by changes to give the role of mayor greater authority, Borger says.



25 Mar 2015
 Sydney Morning Herald, Sydney



Author: Leesha McKenny • Section: General News • Article type : News Item
 Audience : 114,634 • Page: 6 • Printed Size: 994.00cm² • Market: NSW
 Country: Australia • ASR: AUD 79,556 • Words: 1044 • Item ID: 386403484

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Proposed council amalgamations

Councils

1. Parramatta	17. Marrickville
2. Hunters Hill	18. Canterbury
3. Lane Cove	19. Bankstown
4. Willoughby	20. Hurstville
5. Manly	21. Kogarah
6. Mosman	22. Rockdale
7. North Sydney	23. Botany Bay
8. Canada Bay	24. Randwick
9. Auburn	
10. Strathfield	
11. Burwood	
12. Ashfield	
13. Leichhardt	
14. Sydney	
15. Woollahra	
16. Waverley	

Councils on Map: HORNSBY, PITTWATER, WARRINGAH, KU-RUNGAI, RYDE, HOLROYD, FAIRFIELD, LIVERPOOL, CENTRAL.

City of Sydney
 lord mayor CLover Moore
 Photo: Cole Bennetts



Have your say on whether council should merge

THE community must now confront the issue of local government amalgamations after the State Government was re-elected, says Marrickville Mayor Mark Gardiner.

Cr Gardiner said the previous government had a policy of 'no forced amalgamations' and that was the policy they took to the electorate back in 2011, however, Premier Mike Baird is on record as saying he believes there are far too many councils in Sydney, and that his government would 'consider its options' if councils declined to voluntarily amalgamate.

"Marrickville Council's official position is that we support local government

reform, but oppose forced amalgamations," he said.

"We have until June to prove whether we are 'Fit' to stand alone, or whether we need to amalgamate to meet the challenges of the future.

"It's time to ask, what will an amalgamated inner west council mean for Marrickville?

"We need to know exactly what our residents think about us merging with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield councils."

In September last year, the State Government released the 'Fit for the Future' blueprint for the future of local government, based on the Independ-

ent Local Government Review Panel's (ILGRP) recommendations.

To be 'Fit', almost every council must show scale and capacity, financial sustainability, and efficiency and effectiveness of service delivery and infrastructure management.

Residents will receive a brochure in the next few days, outlining the State Government's amalgamations proposals and recommendations and are asked to complete the survey, by mail or online at <http://yoursaymarrickville.com.au>.



14 Apr 2015
Inner West Courier, Sydney



Author: Sarah Sharples • Section: Edition Changes - City • Article type : News Item
Audience : 79,707 • Page: 13 • Printed Size: 191.00cm² • Market: NSW
Country: Australia • ASR: AUD 914 • Words: 259 • Item ID: 394154547

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Page 1 of 1

NEWTOWN

King clue to merger mystery

MARRICKVILLE COUNCIL LOOKS AT AMALGAMATION OPTIONS

Sarah Sharples

A HANDOVER of one side of King St from Marrickville Council to the City of Sydney is being considered as part of an investigation into council amalgamations.

The councils are currently responsible for one side of King St each.

A report found Marrickville Council would lose more than \$1 million in revenue

if the 170 properties were transferred to the City of Sydney, while the cost of maintaining the area was about \$240,000.

Councils are required by the NSW Government to prepare a business case to establish if they are “fit for the future” by June 30.

Marrickville Council com-

missioned the report to investigate outcomes if it remained a stand-alone council, merged into an inner west super council with Ashfield, Burwood, Canada Bay, Leichhardt and Strathfield or formed an airport council with Botany Bay and Rockdale.

The report found residen-

tial rates would reduce under both of the merger options.

Greens councillor David Leary said mergers were not in the community interest.

“I think it’s a pipe dream to say that some in the community will have their rates decreased,” he said.

Greens councillor Sylvie

Ellsmore was also critical of the NSW Government’s criteria for mergers and said it was narrow and focused on things such as asset maintenance, rather than services provided, including childcare.

Marrickville Council is seeking community views on it either standing alone or

becoming an inner west super council.

Residents will receive a brochure outlining the NSW Government’s amalgamations proposals and recommendations.



Do you think King St should be one council's responsibility?
facebook.com/

innerwestcourier



21 Apr 2015
Inner West Courier, Sydney

Author: Adam Bell • Section: General News • Article type : News Item
Audience : 79,707 • Page: 7 • Printed Size: 207.00cm² • Market: NSW
Country: Australia • ASR: AUD 990 • Words: 337 • Item ID: 397020864

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Page 1 of 1

INNER WEST

Amalgamation unity wobbles

MINISTERS WAVER UNDER COUNCIL PRESSURE

Adam Bell

SOME early cracks are starting to appear in Premier Mike Baird's new Cabinet over the prickly issue of council amalgamations.

With one Sydney-based minister already publicly backing a council's fight for survival, others are coming under intense pressure in their local electorates.

Many of the councils earmarked for amalgamation are represented by Coalition MPs, 11 of them ministers in Sydney.

We asked all 11 if they supported cutting the number of councils via forced mergers.

But only three responded and just one – Victor Dominello – vowed to back a council's battle for survival.

The muted response is in line with their silence on the politically-toxic issue in the lead-up to last month's State election.

The government has given councils until June 30 to put their hands up to merge with their neighbours and has put millions of dollars in cash incentives on the table.

Should they refuse, the government has only said it will "consider its options".

The government has the power to force councils to merge under existing legislation, though it may require some tweaking.

Meanwhile, dozens of councils are ramping up their protests against the reforms.

Five Inner West councils have chipped in \$150,000 to fight the plans, while Lane Cove, Ryde and Hunters Hill councils are behind the Keep Councils Local campaign.

Already, Lane Cove MP Anthony Roberts and Ryde MP Victor Dominello have publicly backed the campaign and pressure is mounting on North Shore MP Jillian Skinner and Willoughby MP Gladys Berejiklian.

Premier Mike Baird has broken free from his predecessor Barry O'Farrell's promise of "no forced amalgamations" by remaining silent on the issue before the election.

The government's expert adviser Graham Sansom has recommended cutting Sydney councils from 41 to about 18.

IN A NUTSHELL

■ A report has recommended that the State Government examine the benefits of reducing the number of local councils from 41 to just 18.

■ Inner west councils who have signed a Memorandum of Understanding against the move include Marrickville, Leichhardt, Ashfield, Canada Bay and Burwood.



Mayor's Message

In the next few days, you will receive a brochure about local government amalgamations options and proposals.

Before Marrickville considers our final position, we need to know what our residents think.

Should Marrickville stand alone? Or should we amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt, and Strathfield to create a 'Super Council' of 342,000 residents as recommended by the state government's Independent Local Government Review Panel (ILGRP)?

Simply put – What possible advantage will our community gain from amalgamating? Or are we better off making a case to stand-alone?

If we are to avoid a forced amalgamation, then we must act. Doing nothing is not an option.

Our community engagement will commence shortly. I look forward to hearing your opinion.

Mayor of Marrickville
Councillor Mark Gardiner

ANZAC AUTHOR TALK

"No other Australian has been as influential as Bean in shaping the way Australians view the First World War." Charles Bean was Australia's greatest and most famous war correspondent. Peter Rees, bestselling author of Anzac Girls, will talk about his new book, 'Bearing Witness: The remarkable life of Charles Bean' at Marrickville Library, Wednesday 1 April 7.30pm-9pm. Book online www.marrickvillelibrary.eventbrite.com.au or call 9335 2173.



MARRICKVILLE REMEMBERS

Council will mark the centenary of the ANZAC landing at Gallipoli on Sunday 19 April 2015. A commemorative march along Marrickville Road will culminate in the unveiling of the new Winged Victory on the forecourt of the newly refurbished Marrickville Town Hall forecourt, followed by the opening of the Marrickville Soldiers historical exhibition inside the Hall. #MarrickvilleRemembers



FREE CHILD RESTRAINT SAFETY CHECK

Council will hold a free child restraint safety check day at the Woolworths Car Park, 463 Illawarra Road Marrickville South on Tuesday 14 April 2015 between 9:30am-12:30pm. Bookings are essential - contact Council's Road Safety Officer on 9335 2207 or rso@marrickville.nsw.gov.au

COUNCIL MEETINGS

Meetings commence at 6.30pm on the third floor of the Administrative Centre, 2-14 Fisher Street, Petersham.

- Community and Corporate Services Committee, followed by Infrastructure, Planning and Environmental Services Committee: Tuesday 7 April 2015
- Development Assessment Committee: Tuesday, 14 April 2015
- Ordinary Council Meeting: Tuesday, 21 April 2015

Members of the public are encouraged to attend and speak on subjects in the agenda (except tender items) if notification is made in writing to the General Manager before midday on the day of the meeting. Agendas and business papers are available from Council's website, the Administrative Centre, libraries, and Neighbourhood Centres at least three days prior to each meeting. Council is committed to ensuring people with a disability have equal opportunity to take part in Council and Committee Meetings. For more on access or disability related participation call 9335 2024. For more on speaking at meetings, visit Council's website.

DEVELOPMENT APPLICATIONS

DA200000377.03 125 Crystal Street, Petersham
Application under Section 96 to modify Determination No. 200000377 dated 11 December 2000 to erect new walls on the eastern (rear) and northern (side) boundaries ranging in height from 3 metres to 5 metres.

DA200700086.05 2 Addison Road, Marrickville
Application under Section 96 to modify Modified Determination No. 200700086 dated 12 May 2014 to regularise work at the rear of the hotel comprising a partially covered deck, an outdoor charcoal barbecue area and associated exhaust.

DA201200276.02 9-11 Barwon Park Road, St Peters
Application under Section 96 to modify Land & Environment Court Order No. 10351 of 2013 dated 8 July 2013 to modify the level of all floors in the development to provide increased head clearance in the basement; modify the kitchen window facing Crown Street; window and screen on Barwon Park Road frontage deleted; planted terrace changed to timber deck for northern dwelling and pergola added to northern deck.

DA201300270.02 44 Sydenham Road, Marrickville
Application under Section 96 to modify Modified Determination No. 201300270 dated 16 September 2014 to amend conditions 3 and 11 to allow a mobile food vendor to set up on the property and permit the storage of banded pallets of spent grains for collection.

DA201400197.02 72 Edgeware Road, Enmore
Application under Section 96 to modify Determination No. 201400197 dated 24 June 2014 to replace approved carport with a shade sail; modify the internal layout of dwelling, delete approved sunroom; modify the location of rear facing first floor window and add ensuite window to western elevation; and modify skylight location.

DA201400354.05 78-90 Old Canterbury Road, Lewisham
Application under Section 96 to modify Determination No.

201400354 dated 19 December 2014 to install operable glass panels to selected balconies to create winter gardens on all balconies facing Old Canterbury Road, Longport Street and the light rail corridor.

DA201500100 17 Bishopsgate Street, Newtown
To demolish part of the premises and carry out ground floor alterations and additions to a dwelling house.

DA201500101 69 Charles Street, Marrickville
To demolish part of the premises and carry out ground and first floor alterations and additions to a dwelling house.

DA201500102 32/2 Cardigan Lane, Camperdown
To demolish part of the premises and carry out ground and first floor alterations and additions to a dwelling and creation of a storage loft within the existing roof space and 3 new skylights.

DA201500103 15 Park Road, Marrickville
To demolish part of the premises and carry out ground floor alterations and additions to a dwelling house and erect a garage and artist studio at the rear of the site.

DA201500105 36 Alice Street, Newtown
To carry out alterations and additions to the approved mixed use development to provide 2 additional levels on top of approved Building A which fronts Walenore Avenue to create a 7 storey building with an additional 24 dwellings and provide an additional 20 car parking spaces in the basement.

DA201500106 449 Marrickville Road, Dulwich Hill
To demolish the existing premises with the exception of the Marrickville Road facade and erect a 4 storey shop top housing development containing 1 shop and 6 dwellings with 2 car parking spaces.

DA201500107 15 Durham Street, Stanmore
To demolish part of the premises and carry out ground and first floor alterations and additions to a dwelling house and create a hard stand car parking space at the rear of the site.

DA201500108 43 Brown Street, St Peters
To demolish part of the premises and carry out ground and first floor alterations and additions to a dwelling house.

DA201500109 107 Crystal Street, Petersham
To hold a festival in the Petersham Town Hall and on Frederick Street between Crystal Street and Church Street on Sunday 21 June 2015 operating from 11am to 6pm.

DA201500110 1 Denby Street, Marrickville
To continue to use the roof top car park area of the club for community functions to be held fortnightly on a Sunday between the hours of 10am and 5pm.

DA201500111 2/22-38 Fitzroy Street, Marrickville
To fit-out and use the premises for the warehouse and distribution of liquor including a liquor store and associated office.

DA201500114 88 Corunna Road, Stanmore
To demolish part of the premises and carry out ground floor alterations and erect a deck at the rear of the dwelling house.

DA201500115 72 Enmore Road, Newtown
To erect an external security grille and gate at the rear of the building.

DA201500116 40A Thomas Street, Lewisham
To consolidate 4 allotments and subdivide into 2 allotments.

DA201500117 337 Illawarra Road, Marrickville
To fit-out and use the ground floor shop as a bar.

DA201500118 2/41 Albert Street, Petersham
To erect a new deck and stairs providing access to the courtyard at the rear of the building.

DA201500119 5 Oxford Street, Newtown
To demolish part of the premises and carry out ground and first floor alterations and additions to a dwelling house.

DA201500120 514 Marrickville Road, Dulwich Hill
To extend the trading hours to allow the cafe/restaurant to operate between the hours of 7am and 11pm Monday to Saturday and 8am and 10pm on Sundays.

Development applications and supporting documents may be viewed online at: www.marrickville.nsw.gov.au > Development > Development Applications On Exhibition and at the Administrative Centre from 8.30am to 5pm Monday to Friday (public holidays excepted). Submissions must be in writing and the grounds for any objections must be specified. Comments received will not be treated confidentially. Written submissions will be acknowledged in writing and you will be notified of Council's final decision. Some applications are determined by Councillors at a public Committee meeting and others are dealt with by staff. If the application for which you lodge a submission is to be dealt with by Councillors, we will advise you of meeting details.

Brian Barrett,
General Manager
Citizens' Service Centre,
2-14 Fisher Street Petersham NSW 2049

EMAIL
council@marrickville.nsw.gov.au
Have Your Say at yoursaymarrickville.com.au/
TEL 9335 2222

FAX 9335 2029
TTY 9335 2025
ABN 52 659 768 527
www.facebook.com/marrickvillecouncil



@MarrickvilleNSW

03.27.2015 14:44 News Limited Proof ?

Media Release

14 May 2015

Local government amalgamations – What You Said

Nearly three quarters of residents are opposed to Marrickville becoming part of an Inner West Super Council, according to recent surveys.

As well, 76% of respondents are at least slightly supportive of Marrickville standing alone. Only 21% of respondents at least slightly oppose Marrickville standing alone.

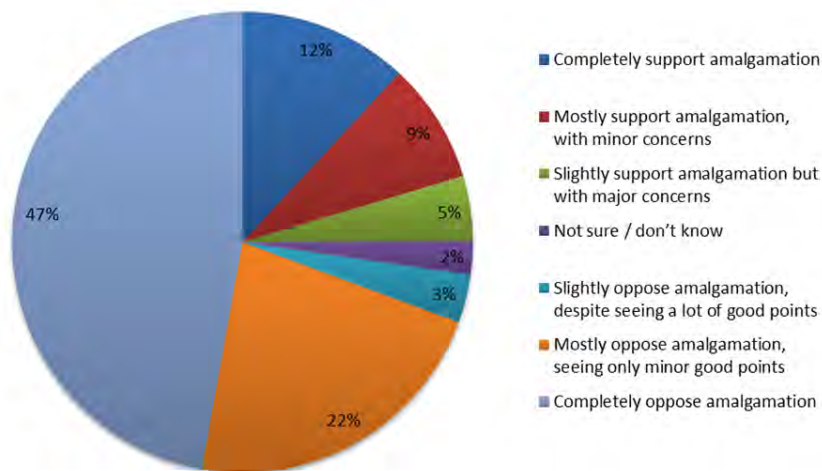
The State Government wants Marrickville to amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield, to create a ‘Super Council’ of 342,000 residents – and a projected 2031 population of 432,400.

In June, almost every Council in NSW must submit a ‘Fit for the Future’ business case to the Independent Local Government Review Panel (ILGRP), and show how they meet four criteria as set out by the State Government.

Before Marrickville considered a final position, Council asked local residents if Marrickville should stand alone, or amalgamate with all the inner west councils as recommended by the ILGRP.

Council undertook an extensive promotional campaign to raise awareness of the issue, a demographically representative telephone survey conducted by an independent market research company, and a self-selecting survey that allowed all staff, residents, ratepayers and businesses to participate.

More than 3,500 people responded to the surveys on the issue of local government amalgamations.



The full report will go to Tuesday’s Council meeting, and can be accessed on Council’s Business Paper web page at <http://www.marrickville.nsw.gov.au/en/council/elected-council/business-papers/> or contact the Communication team.

ENDS

Elizabeth Heath, Communications and Marketing Coordinator, 9392 5334 or 0428 115 292
Paul Nunes, Communication Officer, 9335 2063

Marrickville Council
 PO Box 14 Petersham 2049 Ph: 9335 2222 Fax: 9335 2029
 email: council@marrickville.nsw.gov.au web: www.marrickville.nsw.gov.au

Media Release



22 May 2015

Town Hall meeting on amalgamations

Marrickville Council will hold a Town Hall meeting at Petersham Town Hall on Wednesday 10 June to inform Marrickville residents on the latest local government amalgamation developments.

At its Council meeting on Tuesday 19 May, Council resolved to develop the business case for Marrickville to remain a stand-alone council.

This decision was taken after extensive community consultation showed that three quarters of Marrickville residents are opposed to Marrickville becoming part of an Inner West Super Council.

The State Government wants Marrickville to amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield to create a 'Super Council' of 342,000 residents – and a projected 2031 population of 432,400.

In June, almost every Council in NSW must submit a 'Fit for the Future' business case to the Independent Local Government Review Panel (ILGRP), and show how they meet four criteria as set out by the State Government.

Marrickville Council has serious concerns about the way the state government is handling the process of Council amalgamations.

In particular, Council will highlight unrealistic timeframes, assessment criteria that make little or no sense, and 'totally unreasonable and unacceptable' word limits.

As well, the NSW Government has placed enormous importance on 'size, scale and capacity'. However these appear to have been set in an entirely arbitrary and inconsistent way. While most metropolitan councils have been told they should aim for a population of around 250,000, some much smaller councils have escaped amalgamation recommendations altogether.

And there are no 'society' measurements around natural fit, sense of belonging, or community identity.

Council has called for the minimum population requirement of 250,000 to be dropped, and demanded that the criteria provide an opportunity for councils to demonstrate how they are already delivering scale.

Council will also seek to include criteria to measure the scope and quality of services delivered by local councils, and measure the community's satisfaction with their local council.

ENDS

Elizabeth Heath, Communications and Marketing Coordinator, 9392 5334 or 0428 115 292

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Media Release

21 May 2015

Amalgamation assessment criteria must change

Marrickville Council will urgently write to the Premier and the Minister for Local Government expressing concern about the way the state government is handling the process of Council amalgamations.

In particular, Council will highlight unrealistic timeframes, assessment criteria that make little sense or have not been adequately explained, and 'totally unreasonable and unacceptable' word limits.

"There are several worrying details in the methodology for assessment of the Fit for the Future proposals," said Mayor of Marrickville Councillor Mark Gardiner.

In June, almost every Council in NSW must submit a 'Fit for the Future' business case to the Independent Local Government Review Panel (ILGRP), and show how they meet four criteria as set out by the State Government.

"For example, the 'size, scale and capacity' criteria seem to have been set in an entirely arbitrary and inconsistent way," Councillor Gardiner said.

"The three words have been used interchangeably – even though they each have quite different meanings. Neither has there ever been any explanation how the minimum population requirements were arrived at," he said.

"A figure of around 250,000 has been proposed for many metropolitan councils – and in fact without this population, it is automatically assumed that councils do not have the correct 'scale and capacity'.

"And yet some much smaller councils have escaped amalgamation recommendations altogether.

Marrickville Council will call for the minimum population requirement of 250,000 to be dropped, and demand that the criteria provides an opportunity for councils to demonstrate how they are already delivering scale.

Council will also seek to include criteria to measure the scope and quality of services delivered by local councils, and measure the community's satisfaction with their local council.

After extensive community consultation, Marrickville Council has resolved to develop the business case for Marrickville to remain a stand-alone council.

Council also resolved to organise one or more a public information meetings for residents before the end of June 2015 to provide information on Council's position, and encourage residents to make their own formal submission to the State Government.

ENDS

Elizabeth Heath, Communications and Marketing Coordinator, 9392 5334 or 0428 115 292

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Media Release

11 June 2015

Residents say No to forced amalgamations

More than 150 residents packed into Petersham Town Hall foyer last night to say No to forced amalgamations of councils.

Marrickville Council has resolved to tell the State Government that Marrickville is better off not amalgamating into an 'Inner West Super Council', and should remain stand-alone.

This decision was taken after extensive community consultation showed three-quarters of residents are opposed to the State Government's amalgamation proposal for Marrickville.

The State Government wants Marrickville to amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield to create a 'Super Council' of 342,000 residents.

Last night residents heard that Council has serious concerns about the way the state government is handling the process of Council amalgamations.

Mayor of Marrickville Councillor Mark Gardiner said the process is a "stich-up" that was setting Councils up for failure if they tried to show they were better off not amalgamating.

There was an audible gasp from audience members when he said that IPART (the Independent Pricing & Regulatory Tribunal) will have less than one day to assess each council's submission.

"The State Government is treating local councils with contempt," he said. He told the audience he had serious concerns about finding "communities of interest" with suburbs such as Canada Bay and North Strathfield. He said council amalgamations would mean the end of Independent councillors.

Member for Newtown Jenny Leong agreed, saying that local government "needs Independent voices".

"Marrickville Council does such an amazing job for its community. Let them keep on doing their amazing thing! Marrickville Council is already 'super'."

She said that the forced amalgamations revealed the State Government's pro-development agenda. "We need strong local community groups to overturn State planning laws," she said. "For example, we don't want WestConnex, we want active transport solutions."

Member for Summer Hill and Marrickville Councillor Jo Haylen concurred. "Amalgamations are just a smoke screen for a political agenda," she said.

"Local government understands local needs. Marrickville Council is providing excellent services to our residents now. We will lose out if we are merged. We need to fight council mergers all the way," she said.

OVER

Marrickville Council
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email: council@marrickville.nsw.gov.au web: www.marrickville.nsw.gov.au



Media Release

11 June 2015

Marrickville residents are urged to join the campaign by signing a petition, writing to the Premier Mike Baird and the Local Government Minister Paul Toole, and downloading and displaying a No Forced Amalgamation poster.

Go to <http://yoursaymarrickville.com.au>

Residents are also urged to make a submission to IPART (Independent Pricing & Regulatory Tribunal), which is assessing the council proposals on amalgamations.

Go to www.ipart.nsw.gov.au

As well, Council is advising concerned residents to make a submission to the Upper House Inquiry into forced amalgamations.

Submissions can be [made online](#) or in writing.

The Director
General Purpose Standing Committee No. 6
Parliament House
Macquarie St
Sydney NSW 2000
Fax: (02) 9230 2981

http://www.parliament.nsw.gov.au/prod/parliament/committee.nsf/0/4418B0EDCF843FF9CA257E52001DC61A?open&refnavid=CO4_1

For a photo of the meeting last night, contact the Communication team.

ENDS

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Marrickville
is better off
NOT amalgamating

The State
Government's
amalgamation
process
is **FLAWED**

www.yoursaymarrickville.com.au

NO FORCED

AMALGAMATION

FOR MARRICKVILLE

The State Government's amalgamation process is flawed. Marrickville is better off **NOT amalgamating**

JOIN THE CALL TO ACTION!

Key dates:

Wednesday 1 - Friday 31 July
IPART accepting public submissions

Sunday 5 July
Parliamentary inquiry submissions close

Register to stay informed at:
www.yoursaymarrickville.com.au

MARRICKVILLE

**NO FORCED
AMALGAMATION
FOR MARRICKVILLE**

JOIN THE CALL TO ACTION

Make a submission to IPART
between Wednesday 1 - Friday 31 July
www.ipart.nsw.gov.au

Make a submission
to the parliamentary inquiry
into the State Government's
Fit for the Future process.
Submissions must be received
by **Sunday 5 July.**

Visit **www.parliament.nsw.gov.au**

- Put a **“No!”** poster in your window or shop front
 - Sign the petition
- Write or email the Minister for Local Government
- Write or email the Premier



NO FORCED

AMALGAMATION

FOR MARRICKVILLE

The NSW Government wants Marrickville to amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield – even though an overwhelming majority of the Marrickville community has said “NO” to amalgamation.

The NSW Government’s methodology to determine who should amalgamate is flawed and IS NOT supported by evidence.

SIGN THE PETITION

AND LET THE STATE GOVERNMENT KNOW YOU DON’T WANT MARRICKVILLE TO BECOME PART OF AN ‘INNER WEST SUPER COUNCIL’

NO FORCED AMALGAMATION FOR MARRICKVILLE

The NSW Government wants Marrickville to amalgamate with Canada Bay, Ashfield, Burwood, Leichhardt and Strathfield to create an Inner West Super Council.

Marrickville residents have overwhelmingly told us that they DO NOT want to amalgamate. We stand to lose our sense of community, and we could be taking on other councils' debts.

The NSW Government has presented no compelling evidence of why Marrickville should amalgamate. They have not said how amalgamating will benefit Marrickville residents.

Take Action! Sign the petition!

Name	Address / email	Signature

Please scan and email completed petition forms to council@marrickville.nsw.gov.au or post hardcopies to Marrickville Council, PO Box 14, Petersham NSW 2049. Ref 15/SF182

NO FORCED AMALGAMATION FOR MARRICKVILLE

NSW Premier Mike Baird
State Parliament House
Macquarie Street
Sydney NSW 2000

As a Marrickville resident, I am opposed to my local Council being forced to become part of an Inner West Super Council. I do not want Marrickville Council to be amalgamated.

I call on the NSW Government to explain how I will be better off in a Super Council, and ask you to give an assurance that you will not force local Councils to amalgamate.

I am very concerned that the Fit for the Future process is being rushed and is deeply flawed. Marrickville residents need 'Local' Government – we already have two levels of big government.

Name

Address

Email Address

Date

Please complete, fold, seal (with sticky tape or glue) and mail. No stamp is required.
We will forward to the Premier's office for you.

NO FORCED AMALGAMATION FOR MARRICKVILLE

NSW Local Government Minister Paul Toole
State Parliament House
Macquarie Street
Sydney NSW 2000

As a Marrickville resident, I am opposed to my local Council being forced to become part of an Inner West Super Council. I do not want Marrickville Council to be amalgamated.

I call on the NSW Government to explain how I will be better off in a Super Council, and ask you to give an assurance that you will not force local Councils to amalgamate.

I am very concerned that the Fit for the Future process is being rushed and is deeply flawed. Marrickville residents need 'Local' Government – we already have two levels of big government.

Name

Address

Email Address

Date

Please complete, fold, seal (with sticky tape or glue) and mail. No stamp is required.
We will forward to the Minister's office for you.

YOUR SAY, OUR FUTURE

Consulting on major local government reforms



Marrickville Council invites community participation in a major review of the local government system.

We wish to gauge our community's initial response to the Independent Local Government

Review Panel's white paper, *Future Directions for Local Government*, which recommends amalgamations into much larger councils.

Background

The NSW State Government's Independent Local Government Review Panel has been investigating options for a more efficient and effective system of local government.

The Panel consulted with councils and stakeholders across the state and in April released *Future Directions for Local Government* which recommends sweeping changes to local government, including reducing the number of councils in metropolitan Sydney from about 43 to 15.

Marrickville has been presented with three options. We are seeking your feedback on these three models, on whether Marrickville should stay as it is, or if there are other options we should propose.

Council has until 28 June 2013 to respond to the Panel's recommendations. The Panel will make its final report to the State Government in September 2013.

Marrickville Council seeks to identify the community's initial views, both positive and negative, towards boundary changes and amalgamation with nearby councils. We also seek to gauge the importance that our community places to having local representatives and to having input into local decision making.

We acknowledge that information about the impacts of any amalgamation option is limited at this stage and future research and consultation will need to be undertaken.

The report is complex and contains many recommendations about the future operating systems of local government. The full report can be accessed online at www.localgovernmentreview.nsw.gov.au

The proposed amalgamation options for Marrickville Council are:



Sydney Group of Councils

Merge with proposed Sydney group of councils, creating a new 'super, global Sydney' council that would include City of Sydney, Botany Bay, Randwick, Waverley, Wollahra and possibly Leichhardt. (projected population up to 780,000)

This is the Panel's preferred option for Marrickville, citing the need to have a super city to anchor Sydney as Australia's only truly global city; close functional interaction and economic/social links; bringing key infrastructure and icons together and spreading the CBD rating benefits.



Inner West Group of Councils

Merge with proposed Inner West group of councils that would include Ashfield, Burwood, Canada Bay, Strathfield and possibly Leichhardt. (projected population up to 411,000)

The Panel believes this option could provide close functional interaction and economic/social links; unify local government to plan and manage Parramatta Road; coordinate inner west development; make Burwood a major centre.



Canterbury Council

Merge with Canterbury Council (projected population 257,000)

The Panel believes this option could enhance the economic and social mix; and remove problematic boundaries to north and east.

COUNCIL	POPULATION	% OF PEOPLE FROM COUNTRIES WHERE ENGLISH IS NOT THE FIRST LANGUAGE	POPULATION DENSITY	MEDIAN WEEKLY HOUSEHOLD INCOME	T-CORP ASSESSMENT OF CURRENT FINANCIAL SUSTAINABILITY	AVERAGE RESIDENTIAL RATES 2010/11	BUILDING AND INFRASTRUCTURE RENEWAL RATIO (EXPRESSED AS % NSW MEAN 56.0)
City of Sydney	183,494	30	68.66	\$1,639	Strong. Outlook: Positive	548.23	88.75
Botany Bay	39,355	36	18.14	\$1,245	Weak. Outlook: Neutral	582.93	61.88
Randwick	137,757	27	35.49	\$1,577	Sound. Outlook: Neutral	871.63	69.31
Waverley	68,567	18	68.68	\$1,912	Moderate. Outlook: Neutral	696.15	40.04
Woollahra	56,324	15	42.48	\$2,398	Moderate. Outlook: Neutral	964.27	101.12
Marrickville	81,489	25	46.21	\$1,605	Moderate. Outlook: Neutral	738.7	55.05
Leichhardt	52,197	14	49.48	\$2,235	Sound. Outlook: Neutral	1,046.49	78.49
Ashfield	43,683	38	49.74	\$1,413	Sound. Outlook: Neutral	917.57	14.88
Burwood	34,305	49	45.36	\$1,310	Weak. Outlook: Positive	906.96	14.88
Canada Bay	79,905	29	38.07	\$1,817	Moderate. Outlook: Neutral	786.7	65.25
Strathfield	37,141	50	25.32	\$2,195	Moderate. Outlook: Negative	749.5	27.31
Canterbury	144,751	45	40.95	\$1,029	Moderate. Outlook: Negative	835.32	70.92

Other options to consider:

- Oppose amalgamation recommendations altogether and retain Marrickville Council as it is. (projected population 92,000)
- Combine in one of the larger groups above as a stronger County Council (anchored by a regional centre and establish a model for sharing services across Council boundaries)
- Propose alternative boundary changing options, for example, splitting half of the current Marrickville local government area into the proposed Sydney group and the other half into the inner west group.



Key questions to consider:

Will we lose our local identity? The Panel believes that the creation of Local Boards and other place management strategies will ensure the retention of local identity and representation. Other views suggest large councils will make it harder for local voices to be heard.

Which group of councils is the best fit for Marrickville? This is an extremely complex question which requires more research and analysis time than has been allowed for initial feedback. Demographic considerations may produce different results to purely financial considerations.

Which amalgamation option will leave me better off? Will amalgamation affect my level of service provision?

Will I pay more rates? It is not possible to provide accurate answers to these questions at this stage. Marrickville Council will seek clarification to these important questions as part of its submission to the Panel and at Panel consultation workshops. The table above is designed to provide Marrickville residents with some basis for comparison and analysis.

Will I still have easy access to my local representatives? The Panel is proposing additional governance options for larger councils, including a mix of 'ward' and 'at large' Councillors and a civic cabinet model.

Future Directions for Local Government contains many recommendations about the future of local government apart from amalgamations.

- Introduce Local Boards to service small communities and ensure local identity and representation in larger metropolitan councils
- Develop standard sustainability benchmarks
- Strengthen authority and responsibility of mayors, popular election of mayors
- Ongoing professional development of councillors
- Review rate pegging to allow councils to generate additional revenue
- Make infrastructure backlog a high priority issue (maintain Local Infrastructure Renewal Scheme)
- Closer collaboration with state and federal government
- Investigate Regional Roads Groups
- Strategic Projects Fund for roads and bridges
- Introduce 'best value' service reviews and continuous improvement/innovation programs
- Appoint qualified Chief Financial Officers and place local government audits under the oversight of the Auditor General.

Your Say, Our Future

The Independent Local Government Review Panel's white paper **Future Directions for Local Government** is now available for comment.

Next steps

Throughout May, Marrickville Council will conduct extensive community consultation. This will include:

- Providing information to all residents with this brochure, local advertising, and public notices
- An online video providing information to all residents
- Online discussion forum on Council's main website
- Inviting written submissions
- Conducting an independent phone survey of residents

Thursday 9 May – Friday 14 June

The Panel will conduct two months of consultation, including visiting eight locations in the Sydney metropolitan area from 9 May through until 14 June 2013. The Panel will also conduct community opinion surveys on key issues.

Tuesday 28 May

Metropolitan Councils' Workshop to be attended by the proposed 'super Sydney' councils, including Marrickville Council.

Thursday 13 June

Inner West Councils' Workshop to be attended by the proposed inner west councils, including Marrickville Council.

Friday 14 June

Comments from Marrickville community to Marrickville Council close.

Friday 28 June

Comments on the **Future Directions for NSW Local Government** paper close. Marrickville Council's submission will be informed by the results of the community consultations.

The community can also make direct submissions to the Panel. Visit www.localgovernmentreview.nsw.gov.au

September

The Panel will finalise its report to the State Government.

Have Your Say:

- Visit us online at yoursaymarrickville.com.au/local-govt-review
- Phone 9335 2222 to have a submission form posted to you
- Visit any Council Library (Marrickville, Dulwich Hill, Stanmore and St Peters)
- Visit the Council Administration Building at 2-14 Fisher Street, Petersham
- For more information contact comengage@marrickville.nsw.gov.au or phone 9335 2096.

When is this likely to occur?

Under the Local Government Act, amalgamations cannot occur without extensive community consultation on the specific proposals involved. This would have to be a further step after the Panel completes its work and would involve the Boundaries Commission, which includes local government representatives.

Whether amalgamations proceed will be determined by the State Government, councils and the communities involved.

If the State Government endorses the amalgamations, it has given assurances that no forced amalgamations will occur before the next State Government election in March 2015.

Until any decision is made, it is business as usual at Marrickville Council. Council is required by the Local Government Act 1993 to review and to produce its key plans and budget, and to consult the community on the plans, regardless of any possible changes to Council's role as discussed in the **Future Directions for NSW Local Government** document.

ENGLISH

IMPORTANT

This letter contains Important Information. If you do not understand it, please ask a relative or friend to translate it, or come to Council and discuss the letter with Council's staff using the Telephone Interpreter Service.

ARABIC

مهم
تحذير هذه الرسالة معلومات هامة فإذا لم تفهمها يرجى أن تتصلوا من أحد أفرادكم أو أحدناكم شرحها لكم، أو تفضلوا إلى البلدية واجلبوا الرسالة معكم لكي نناقشوها مع أحد موظفي البلدية من خلال الاستعانة بخدمة الترجمة الهاتفية.

GREEK

ΣΗΜΑΝΤΙΚΟ

Αυτή η επιστολή περιέχει σημαντικές πληροφορίες. Αν δεν τις καταλαβαίνετε, παρακαλούμε να ζητήσετε από ένα συγγενή ή φίλο να σας τις μεταφράσει ή να έλθετε στα γραφεία της Δημοτικής και να συζητήσετε την επιστολή με προσωπικό της Δημοτικής χρησιμοποιώντας την Τηλεφωνική Υπηρεσία Διεμνητέων.

PORTUGUESE

IMPORTANTE

Este carta contém informação importante. Se não o compreender peça a uma pessoa de família ou a um/a amigo/a para o traduzir ou venha até à Câmara Municipal (Council) para discutir o assunto através do Serviço de Intérpretes pelo Telefone (Telephone Interpreter Service).

VIETNAMESE

THÔNG TIN QUAN TRỌNG

Nội dung thư này gồm có các thông tin quan trọng. Nếu đọc không hiểu, xin quý vị nhờ thân nhân hay bạn bè dịch giúp hoặc đem đến Hội đồng Thành phố để thảo luận với nhân viên qua trung gian Dịch vụ Thông dịch qua Điện thoại.

MANDARIN

重要资料

本信含有重要资料，如果不明白，请亲友为您翻译或到市政府来，通过电话传译服务，与市政府工作人员讨论此信。

8. Micromex Research Telephone survey report 2013



Marrickville Council Brand & Amalgamation Study

Prepared By: Micromex Research

Date: May 2013



Micromex contacted n=408 residents by phone, across all 153 of the NSW LGAs, in order to obtain a truly representative NSW LGA brand health benchmark measure.

The purpose of this research was to provide us with a diagnostic understanding of how a council brand is perceived, and the hierarchy of the different components that make up an LGA brand beyond simply the performance/satisfaction pillar.

To do so, we designed a questionnaire that covers off the key brand LGA affinity pillars of vision and values.

In total, we used 21 variables to dimensionalise brand. These variables were based on the outcomes of over 30 qualitative community sessions conducted in 2011.



This research program will provide Marrickville Council with a holistic understanding and measure of community understanding across critical knowledge areas.

Specifically:

- 1. Boundary Change:** To identify community views, both positive and negative, towards boundary changes and amalgamation with nearby councils
- 2. Local Involvement:** To measure the importance that local communities ascribe to having local representatives and to having input into local decision making



The scope of this research also allowed us to provide Marrickville Council with clarity regarding the image of Council across key performance, values and vision measures

Methodology

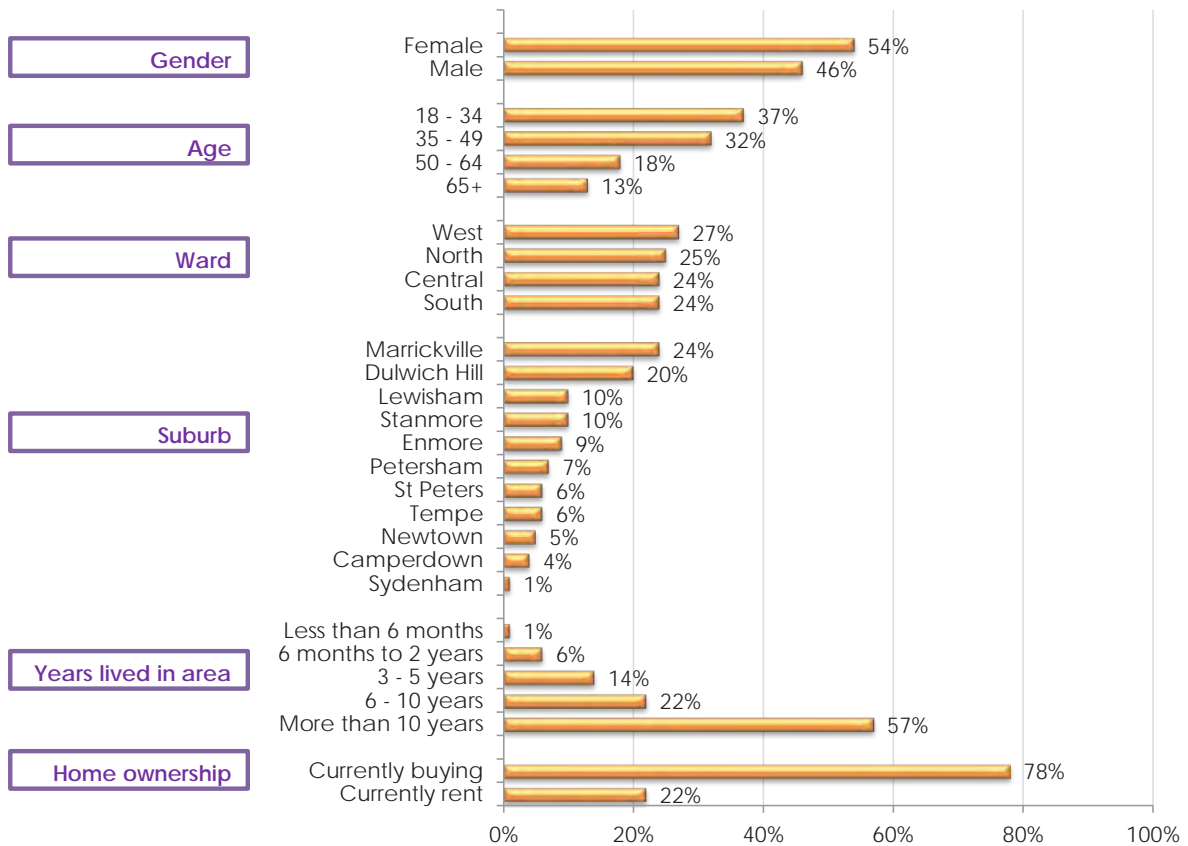
12 minute random telephone survey of 600 residents, with a representative cross section of Marrickville residents.

Questionnaire

Micromex Research, together with Marrickville Council, developed a questionnaire covering boundary changes/council amalgamation and local involvement, and combined it with Micromex's proprietary brand questionnaire.

Data collection period

The survey was conducted in May 2013.



Base: 600

The sample was weighted in line with the 2011 ABS population census data

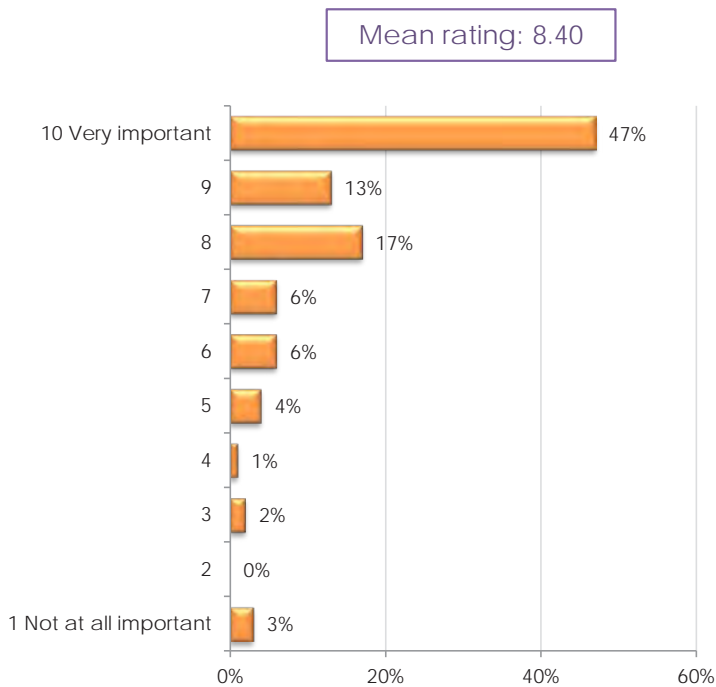




Amalgamation

77% Of Residents Gave The Importance Of Retaining Local Representation A Score Of 8 Or Greater

Q8a. Overall, how would you rate the importance of the Marrickville Council Area retaining local government representatives?



	Ward			
	North	South	Central	West
Mean ratings	8.14	8.29	8.66	8.50

	Age				Gender	
	18-34	35-49	50-64	65+	Male	Female
Mean ratings	8.31	8.40	8.52	8.46	8.15 ▼	8.61 ▲

▲ ▼ A significantly higher/lower level of importance (by group)

Scale: 1=not at all important, 10=very important

Base: 600



Residents have a strong requirement that the Marrickville Council Area retains local government representatives

Reasons For Importance Rating of 8+

Q8a. Overall, how would you rate the importance of the Marrickville Council Area retaining local government representatives?
Q8b. Why do you say that?

Knowledge of the area

"Better knowledge of the area and the residents' needs"

"Local representatives would understand the area better than those living outside the area"

"Locals know the area, they know us and represent us as we are"

Knowledge of what the community needs/wants

"Local representation ensures the needs of local residents are put forward and managed effectively"

"Local representation gives voice to the diverse culture and languages of Marrickville LGA"

Point of contact

"Local point of contact"

"Local members are approachable and available when needed"

Local representatives for local community

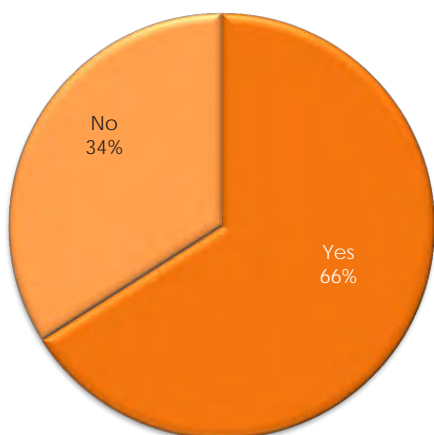
"We need a local voice for the community"

"Local community representatives need to represent the local community"

"Locals will acknowledge immediate issues and problems in the area"

2/3 Of Residents Claim to Be Aware Of The Review Of The Local Government System

Q5. Are you aware that the State Government is reviewing the Local Government system?



	Ward			
	North	South	Central	West
Yes	66%	72%	68%	58%
No	34%	28%	32%	42%
Total	100%	100%	100%	100%

	Age				Gender	
	18-34	35-49	50-64	65+	Male	Female
Yes	52% ▾	67% ▲	84% ▲	77% ▲	66%	66%
No	48%	33%	16%	23%	34%	34%
Total	100%	100%	100%	100%	100%	100%

Base: 600

▲ ▾ A significantly higher/lower level (by group)



Perhaps not surprisingly, residents aged 35 years and over were significantly more likely to be aware of the State Government's review

The NSW State Government appointed an Independent Local Government Review Panel to investigate options for a more efficient and effective system of local government.

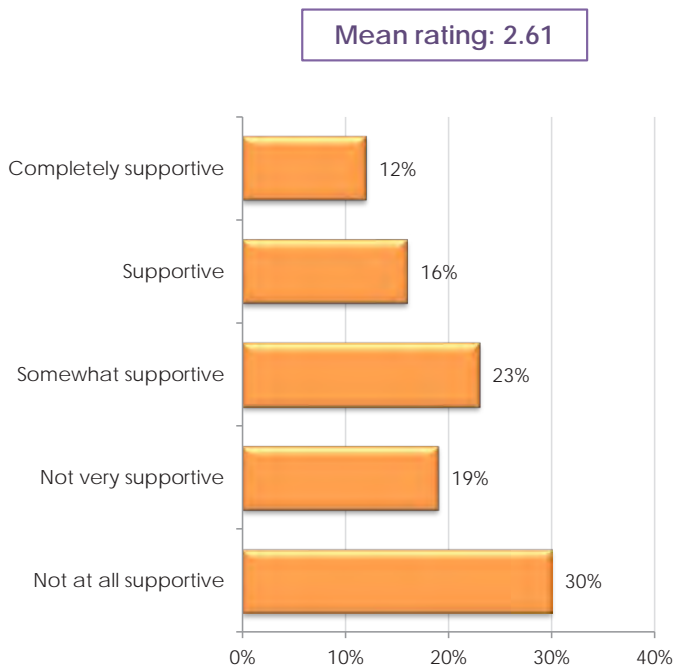
The Panel has recommended sweeping changes, including reducing the number of Councils in metropolitan Sydney from about 40 to 15. This is to be achieved through merging/amalgamating Councils.

One argument for amalgamation is that bigger Councils could be more economically efficient in the delivery of services, and an argument against amalgamation is that bigger Councils will not be able to represent local communities as effectively.

The Panel has recommended three options for Marrickville, however, there is also the option to oppose amalgamations or the option to propose an alternative idea. Marrickville Council is seeking the community's views to form its position on the recommendations.

28% Of Residents Are Supportive – Very Supportive Of This Proposal, While 49% Are Not Very – Not At All Supportive

Q6a. How supportive would you be of Marrickville being amalgamated with other nearby Councils?



	Ward			
	North	South	Central	West
Mean ratings	2.78 ▲	2.60	2.28 ▼	2.76 ▲

	Age				Gender	
	18-34	35-49	50-64	65+	Male	Female
Mean ratings	2.75 ▲	2.63	2.57	2.23 ▼	2.91 ▲	2.36 ▼

Ratio Of Positive to Negative
28:49%
1:1.75 Against

Base: 600

▲ ▼ A significantly higher/lower level of support (by group)

Scale: 1=not at all supportive, 5=completely supportive



Females and older residents have the lowest support levels for amalgamation

Current Image Of Council Is A Likely Key Determinant In Identifying Likely Support Of The Amalgamation Concept

Q6a. How supportive would you be of Marrickville being amalgamated with other nearby Councils?

Q3a. Overall, how would you rate Marrickville Council's image within the local community?

	Supportive - Completely Supportive	Somewhat Supportive	Not Very - Not At All Supportive
Excellent	28%	12%	60%
Very good	16%	25%	59%
Good	29%	24%	47%
Fair	37%	25%	38%
Poor	56%	17%	27%
Very poor	36%	27%	37%

⇒ If you have a good - excellent image of Council you are not likely to support amalgamation

Base: 600



This correlation suggests that residents use their current frame of reference to respond to the amalgamation question, i.e. playing the player and not the ball

Not Very To Not At All Supportive (49%) Key Themes

Difficult to manage

"A larger LGA would not manage services and facilities effectively for all residents"

Economically inefficient

"Local councils should be local, as economy of scale is overstated and I'm dubious of cost savings"

Negative impact on services

"Giant councils will reduce services on a micro level"

Residents' interests won't be heard

"A merged council would not represent our interests effectively"

Happy with the current Council

"It works the way it is"

Increase in Council politics

"It would become politically driven rather than community driven"

"Connection with the community will be lost"

"Bigger government areas means there would be less of a connection with local communities"

"It would decrease the level of engagement with the local area, as communities won't be as effectively represented"



Bigger isn't better and there are concerns about local voices

Loss of services and facilities

"Another Council might bring more innovative ideas, however, we may lose our personalised service and quality of services"

Individual needs would be lost

"Concerns if the council is too large that individual needs will be lost"

As long as only a few councils amalgamate

"It would be beneficial for a few councils to join, but there is no need for too many to join"

Loss of unique identities

"Our area has an unusual mix of residents, nationalities and history, which makes the area unique. This may be lost if councils are amalgamated"

Economies of scale

"Economies of scale can be achieved if councils are bigger, but there needs to be a balance with the needs of different communities"

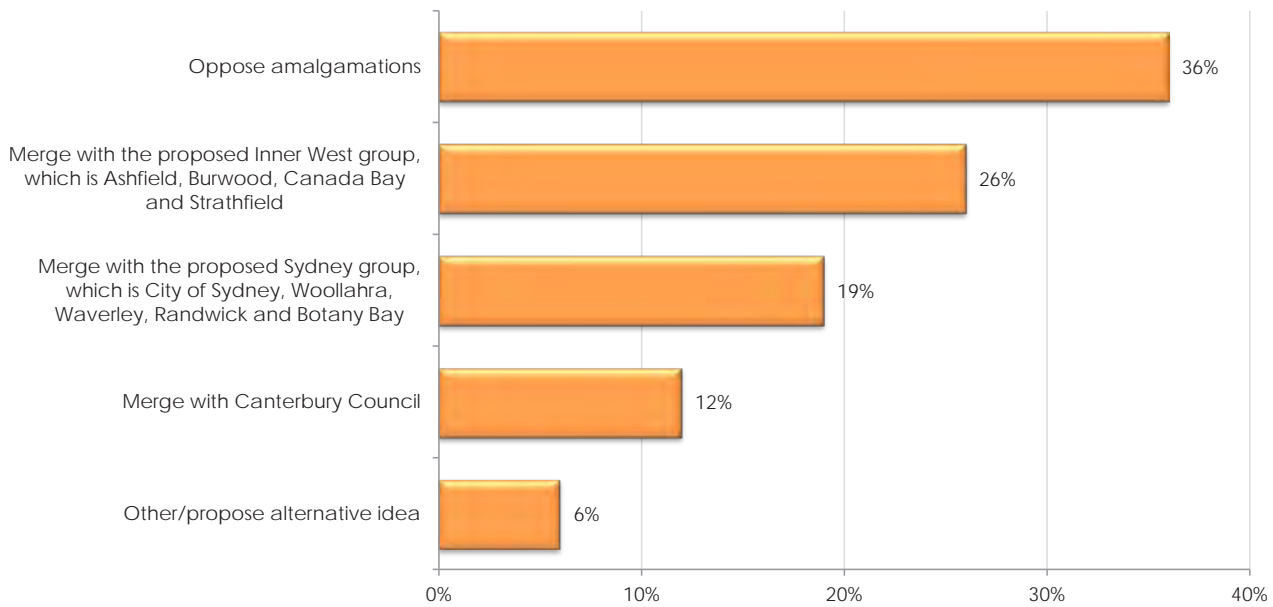


Need more information to overcome concerns



36% Oppose Amalgamation Outright

Q7a. Which of the following options would be your preference?



Base: 600



If pressed, the preferred amalgamation option is with the Inner West Council Group (26%)

Significant Differences By Ward

Q7a. Which of the following options would be your preference?

	Ward			
	North	South	Central	West
Merge with the proposed Sydney group, which is City of Sydney, Woollahra, Waverley, Randwick and Botany Bay	29%▲	20%	13%▼	14%▼
Merge with the proposed Inner West group, which is Ashfield, Burwood, Canada Bay and Strathfield	27%	25%	27%	24%
Merge with Canterbury Council	5%▼	13%	6%▼	25%▲
Oppose amalgamations	31%	36%	43%	35%
Other/propose alternative idea	8%	5%	10%▲	2%▼
Total	100%	100%	100%	100%

Base: 600

▲▼ A significantly higher/lower level (by group)



The North Ward is significantly more positively disposed to the Sydney Group, and the West Ward is more disposed to Canterbury

Significant Differences By Age/Gender

Q7a. Which of the following options would be your preference?

	Age				Gender	
	18-34	35-49	50-64	65+	Male	Female
Merge with the proposed Sydney group, which is City of Sydney, Woollahra, Waverley, Randwick and Botany Bay	22%	19%	21%	12%	22%	17%
Merge with the proposed Inner West group, which is Ashfield, Burwood, Canada Bay and Strathfield	28%	25%	24%	22%	27%	24%
Merge with Canterbury Council	15%	12%	8%	12%	13%	12%
Oppose amalgamations	28% ▼	39%	38%	52% ▲	31% ▼	41% ▲
Other/propose alternative idea	8%	5%	9%	3%	7%	6%
Total	100%	100%	100%	100%	100%	100%

Base: 600

▲ ▼ A significantly higher/lower level (by group)

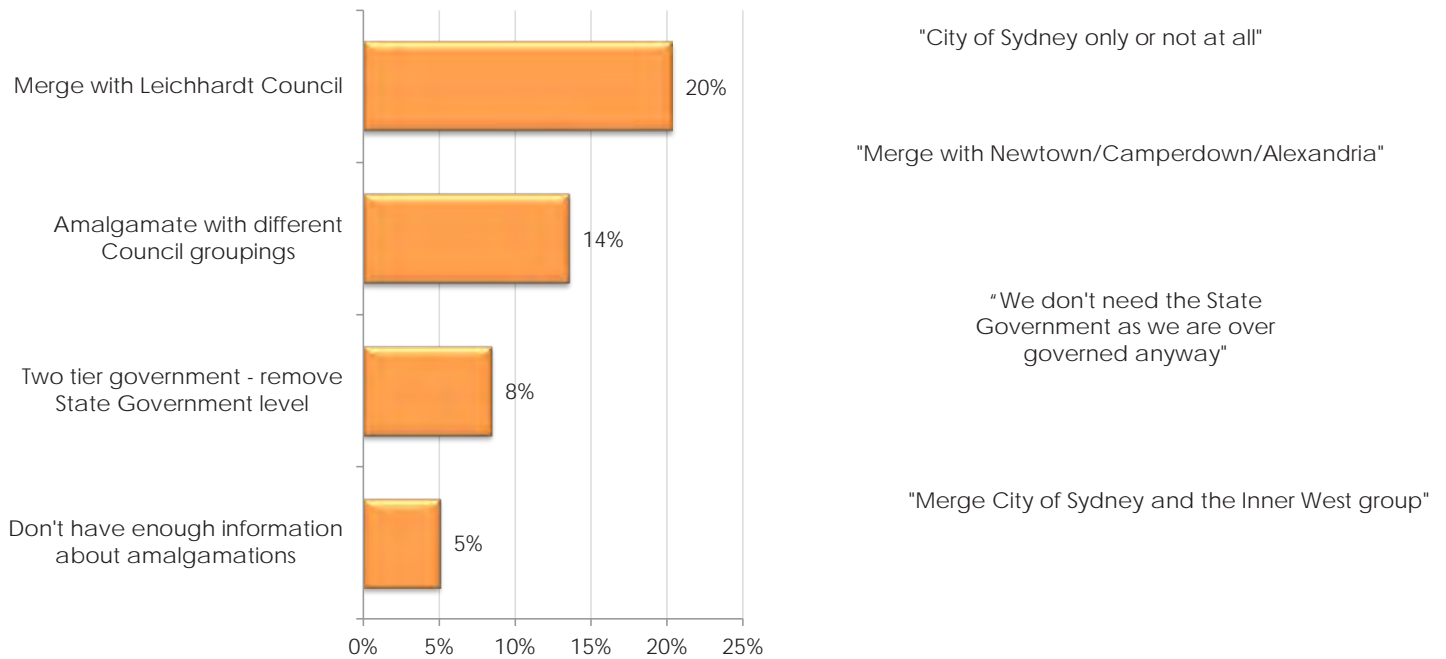


Females and residents aged 65 years and over were more likely to oppose amalgamation

Alternative Responses (6%)

Q7a. Which of the following options would be your preference?
 Q7b. Why do you say that?

Other/Alternative Idea



Base: 59



Conclusion

2/3 Of Residents Claim to Be Aware Of The Review Of The Local Government System

At a broad level, 49% of residents are not very supportive - not at all supportive of the amalgamation option versus 28% who are supportive - very supportive.

- If we remove the fence-sitters (somewhat supportive 23%), the data shows that the community is **1.75:1** against amalgamation
- There is a high correlation between the outcomes of this question and the perceived image of Council, i.e. those positive about Council are less likely to support amalgamation and vice versa

If pressed, the preferred merge option is with the Inner West Council Group (26%)

- 36% still choose the 'oppose amalgamation' option and 19% indicated that the Sydney option was their preference

Marrickville LGA residents are not supportive of amalgamation

Reasons To Merge With The Proposed Sydney Group (26%)

Q7a. Which of the following options would be your preference?

Q7b. Why do you say that?

Merge with the proposed Sydney group, which is City of Sydney, Woollahra, Waverley, Randwick and Botany Bay

Sydney resources

"Using their resources would be good for Marrickville"

"Wealthier councils with more resources would be more beneficial for Marrickville"

"Unlimited resources"

Financial viability

"Sydney group would be more financially viable"

"The Sydney group is more affluent"

"City of Sydney rates are much lower than Marrickville Council, which could be advantageous to Marrickville Council residents"

Strategy and planning

"City of Sydney has a clear strategy for the next 20 years"

"Share common ideals with these councils"

"Better approach to town planning"

Cultural fit

"We are culturally more similar to the Sydney Group"

"Similarities in community ethos and identity"

"Sydney Council shares the same values as Marrickville; such as the diversity of cultures, outdoor entertainment venues, community values, and demographics"

Close in proximity

"We are closer geographically to Sydney group"

"Geographical positioning means Marrickville is more fitting to the Sydney group than other possible amalgamation areas"

Reasons To Merge With The Proposed Inner West Group (19%)

Q7a. Which of the following options would be your preference?

Q7b. Why do you say that?

Merge with the proposed Inner West group, which is Ashfield, Burwood, Canada Bay and Strathfield

Demographically similar

"There are a lot more similarities with these demographic areas"

"Demographically and culturally it is closer so therefore have similar values"

"Demographics are similar to the Inner West group"

Close in proximity

"All in the same area"

"Ashfield and Marrickville border on each other so it makes sense"

"Being closest in proximity to the Marrickville area makes this the most comparable option"

Cultural fit

"Culturally would be the best fit"

"Identify culturally with this area"

Sydney group is too large

"Inner West Group is not as big or as diverse as the other options"

"Greater Sydney group is too large"



Reasons To Merge With Canterbury Council(12%)

Q7a. Which of the following options would be your preference?

Q7b. Why do you say that?

Merge with Canterbury Council

Demographically similar

"Demographics are similar and two councils are better than three"

"Demographics for both areas are similar"

"This is the least painful option if it has to go ahead, as Canterbury has similar demographics"

Close in proximity

"Canterbury Council is the closest in proximity"

"Canterbury is adjacent to Marrickville and has similar services/infrastructure"

"Canterbury is our neighbour and it makes sense to go that way"

Quality infrastructure and services

"Canterbury Council has quality infrastructure and services"

"Facilities and services provided by Canterbury Council are of high quality"

Smaller amalgamation

"Not as cumbersome merging with one as opposed to three or more councils"

"Being the smallest merger, we would have a better chance of accurate representation of our area"

"Merge with a smaller area would be better"





Contact

Stuart Reeve
Managing Director

Ph: 02 4352 2388

Mb: 0425207552

E: stu@micromex.com.au





Marrickville Council
**RESOLUTION TO
COMPLETE AN
IMPROVEMENT PROPOSAL**

Attachment 9



C0615 ITEM 3

FIT FOR THE FUTURE - DRAFT IMPROVEMENT PROPOSAL SUBMISSION

MOTION: Ellsmore / Haylen

THAT Council:

1. endorses the contents of this report and the attachment as a guide to its final Fit for the Future Improvement Proposal to be submitted to the IPART by 30 June 2015;
2. is encouraged to provide input into the draft response to Scale and Capacity;
3. delegates to the General Manager the authority to finalise Council's Fit for the Future Improvement Proposal by 30 June 2015; and
4. endorses the recommended budget changes outlined in this report in order to satisfy both the Infrastructure Backlog Ratio and the Asset Maintenance Ratio from a Fit for the Future perspective.

MOTION CARRIED

For Motion: Councillors Barbar, Brooks, Ellsmore, Gardiner, Haylen, Leary, Phillips and Woods

Against Motion: Councillors Macri and Tyler





Marrickville Council
**ANNUAL FINANCIAL
STATEMENTS
2013/14**

Attachment 10

Marrickville Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014



"a diverse, vibrant and
innovative community"

Marrickville Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. Primary Financial Statements:	
- Income Statement	4
- Statement of Comprehensive Income	5
- Statement of Financial Position	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	73
- On the Conduct of the Audit (Sect 417 [3])	75

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Marrickville Council.
- (ii) Marrickville Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 14 October 2014. Council has the power to amend and reissue these financial statements.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by Senior staff as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for & ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "Net Wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Marrickville Council

General Purpose Financial Statements for the financial year ended 30 June 2014

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

We are not aware of any matter that would render the Reports false or misleading in any way.

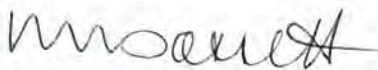
Signed in accordance with a resolution of Council made on 14 October 2014.



MARK GARDINER
MAYOR



MORRIS HANNA
DEPUTY MAYOR



BRIAN BARRETT
GENERAL MANAGER



STEVE KLUDASS
RESPONSIBLE ACCOUNTING OFFICER

Marrickville Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
<i>Revenue:</i>				
58,477	Rates & Annual Charges	3a	58,497	55,772
14,032	User Charges & Fees	3b	14,685	14,307
3,667	Interest & Investment Revenue	3c	2,685	3,630
8,637	Other Revenues	3d	11,391	8,736
6,721	Grants & Contributions provided for Operating Purposes	3e,f	5,223	7,540
4,383	Grants & Contributions provided for Capital Purposes	3e,f	5,651	5,325
<i>Other Income:</i>				
1,507	Net gains from the disposal of assets	5	17	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	27	392
97,424	Total Income from Continuing Operations		98,176	95,702
Expenses from Continuing Operations				
48,050	Employee Benefits & On-Costs	4a	46,664	45,223
1,327	Borrowing Costs	4b	1,288	1,335
23,322	Materials & Contracts	4c	26,132	23,983
11,120	Depreciation & Amortisation	4d	8,567	11,448
11,970	Other Expenses	4e	11,844	12,537
-	Net Losses from the Disposal of Assets	5	-	192
95,789	Total Expenses from Continuing Operations		94,495	94,718
1,635	Operating Result from Continuing Operations		3,681	984
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
1,635	Net Operating Result for the Year		3,681	984
(2,748)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(1,970)	(4,341)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 2013/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Marrickville Council

Statement of Comprehensive Income
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		3,681	984
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain/(loss) on revaluation of I,PP&E	20b (ii)	892	37,663
Other Movements in reserves (Correction of Errors)	20c	(75)	135,745
Total Items which will not be reclassified subsequently to the Operating Result		817	173,408
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		817	173,408
Total Comprehensive Income for the Year		4,498	174,392
Total Comprehensive Income attributable to Council		4,498	174,392

Marrickville Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	12,386	4,210
Investments	6b	25,421	39,631
Receivables	7	6,407	6,064
Inventories	8	235	217
Other	8	236	617
Total Current Assets		44,685	50,739
Non-Current Assets			
Investments	6b	18,712	19,540
Infrastructure, Property, Plant & Equipment	9	956,438	945,029
Investments accounted for using the equity method	19	2,344	2,317
Total Non-Current Assets		977,494	966,886
TOTAL ASSETS		1,022,179	1,017,625
LIABILITIES			
Current Liabilities			
Payables	10	7,094	5,270
Borrowings	10	3,269	3,153
Provisions	10	12,847	12,486
Total Current Liabilities		23,210	20,909
Non-Current Liabilities			
Borrowings	10	15,282	17,843
Provisions	10	1,138	822
Total Non-Current Liabilities		16,420	18,665
TOTAL LIABILITIES		39,630	39,574
Net Assets		982,549	978,051
EQUITY			
Retained Earnings	20	570,391	566,785
Revaluation Reserves	20	412,158	411,266
Total Equity		982,549	978,051

Marrickville Council

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		566,785	411,266	978,051	-	978,051
a. Net Operating Result for the Year		3,681	-	3,681	-	3,681
b. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b(ii)	-	892	892	-	892
- Correction of Prior Period Errors	20(c)	(75)	-	(75)	-	(75)
Other Comprehensive Income		(75)	892	817	-	817
Total Comprehensive Income (a&b)		3,606	892	4,498	-	4,498
Equity - Balance at end of the reporting period		570,391	412,158	982,549	-	982,549

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		430,056	373,603	803,659	-	803,659
a. Net Operating Result for the Year		984	-	984	-	984
b. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b(ii)	-	37,663	37,663	-	37,663
- Correction of Prior Period Errors	20(c)	135,745	-	135,745	-	135,745
Other Comprehensive Income		135,745	37,663	173,408	-	173,408
Total Comprehensive Income (a&b)		136,729	37,663	174,392	-	174,392
Equity - Balance at end of the reporting period		566,785	411,266	978,051	-	978,051

Marrickville Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
58,477	Rates & Annual Charges		58,349	53,530
14,032	User Charges & Fees		16,035	15,902
3,667	Investment & Interest Revenue Received		2,204	3,444
11,104	Grants & Contributions		10,441	13,460
-	Bonds, Deposits & Retention amounts received		101	-
8,637	Other		16,132	12,710
Payments:				
(48,050)	Employee Benefits & On-Costs		(46,099)	(44,613)
(23,322)	Materials & Contracts		(29,922)	(27,859)
(1,327)	Borrowing Costs		(1,292)	(1,335)
-	Bonds, Deposits & Retention amounts refunded		-	(17)
(11,970)	Other		(11,533)	(14,174)
11,248	Net Cash provided (or used in) Operating Activities	11b	14,416	11,048
Cash Flows from Investing Activities				
Receipts:				
99,219	Sale of Investment Securities		102,500	112,900
1,507	Sale of Infrastructure, Property, Plant & Equipment		1,508	1,338
Payments:				
(99,219)	Purchase of Investment Securities		(87,001)	(115,274)
(24,082)	Purchase of Infrastructure, Property, Plant & Equipment		(20,802)	(17,431)
(22,575)	Net Cash provided (or used in) Investing Activities		(3,795)	(18,467)
Cash Flows from Financing Activities				
Receipts:				
1,841	Proceeds from Borrowings & Advances		800	4,780
Payments:				
(3,192)	Repayment of Borrowings & Advances		(3,245)	(2,826)
(1,351)	Net Cash Flow provided (used in) Financing Activities		(2,445)	1,954
(12,678)	Net Increase/(Decrease) in Cash & Cash Equivalents		8,176	(5,465)
4,210	plus: Cash & Cash Equivalents - beginning of year	11a	4,210	9,675
(8,468)	Cash & Cash Equivalents - end of the year	11a	12,386	4,210
Additional Information:				
	plus: Investments on hand - end of year	6b	44,133	59,171
Total Cash, Cash Equivalents & Investments			56,519	63,381

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Council Functions / Activities - Key Result Area	28
3	Income from Continuing Operations	30
4	Expenses from Continuing Operations	34
5	Gains or Losses from the Disposal of Assets	37
6(a)	Cash & Cash Equivalent Assets	38
6(b)	Investments	38
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	39
7	Receivables	41
8	Inventories & Other Assets	42
9	Infrastructure, Property, Plant & Equipment	43
10	Payables, Borrowings & Provisions	45
11	Statement of Cash Flows - Additional Information	47
12	Commitments for Expenditure	48
13	Statement of Performance Measures	49
14	Investment Properties	52 n/a
15	Financial Risk Management	52
16	Material Budget Variations	56
17	Statement of Developer Contributions	58
18	Contingencies and Other Liabilities/Assets not recognised	60
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	62
20	Equity - Retained Earnings and Revaluation Reserves	64
21	Financial Result & Financial Position by Fund	66 n/a
22	"Held for Sale" Non Current Assets & Disposal Groups	66 n/a
23	Events occurring after the Reporting Date	66
24	Discontinued Operations	67 n/a
25	Intangible Assets	67 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	67 n/a
27	Fair Value Measurement	68
Additional Council Disclosures		
28	Council Information & Contact Details	72

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 22.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated remediation provisions.

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

Sale of Infrastructure, Property, Plant and Equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest and Rents

Rental income is accounted for on a straight-line basis over the lease term.

Interest income from cash & investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

- *General Purpose Operations;*
- *Other – Metro Pool; and*
- *Other – United Independent Pools.*

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint Ventures

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

and which are subject to an insignificant risk of changes in value, and

- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading

category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Loans and receivables and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as **"fair value through profit or loss"** category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as **"available-for-sale"** are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as **"available-for-sale"** are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes

uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (Internal Valuation)
- **Other Structures** (as approximated by depreciated historical cost)
- **Other Assets** (Internal Valuation)

Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Plant & Equipment

Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$5,000

Stormwater Assets

Drains & Culverts	> \$3,000
Other	> \$3,000

Transport Assets

Road construction & reconstruction	> \$10,000
Traffic Facilities	> \$3,000
Reseal/Re-sheet & major repairs:	> \$10,000
Footpath	> \$5,000
Kerb And Gutter	> \$5,000
Bridges	> \$20,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment

- Office Equipment	2 to 10 years
- Computer Equipment	2 to 10 years
- Vehicles	2 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	2 to 10 years

Other Equipment

- Playground equipment	25 years
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Buildings

- Buildings	5 to 100 years
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Stormwater Management

- Pits And Pipes	150 years
- Other Drainage Structures	50 to 100 years
- Natural Assets	15 to 50 years

Transportation Assets

- Roads	25 to 150 years
- Bridges	100 years
- Footpaths	50 to 80 years
- Kerb & Gutter	100 years
- Crossings	65 to 80 years
- Traffic Devices	65 to 80 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible Assets

Council has not classified any assets as intangible.

(n) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating the reserves are recognised within Council's Income Statement.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Emergency/Rural Fire Service Assets

Under section 119 of the Rural Fires Act 1997, "*all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed*".

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

Council does not have investment property.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Council does not have discontinued operations.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of

time that is required to complete and prepare the asset for its intended use or sale.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ended 30 June 2014 was \$1,237,643.

The amount of additional contributions included in the total employer contribution advised above is \$584,711 until the year ending 30 June 2018.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$2,338,844 as at 30 June 2014.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2014.

(y) Self insurance

Council does not self insure.

(z) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

Applicable to Local Government but not relevant to Council at this stage;

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

Not applicable to Local Government per se;

There are no other standards that are "not yet effective" and expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(ac) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 2. Council Functions / Activities - Financial Information

Note 2(a) Functions/Activities - Key Result Area	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Governance	66	60	56	2,436	2,168	2,535	(2,370)	(2,108)	(2,479)	-	-	-	-
Diverse Community	12,619	12,914	12,639	18,097	17,764	17,526	(5,478)	(4,850)	(4,887)	1,750	1,875	-	-
Robust Economy	127	142	190	2,245	2,241	2,029	(2,118)	(2,099)	(1,839)	29	110	-	-
Planned Sustainable Accessible Environment	25,349	27,913	25,615	54,950	54,070	53,205	(29,601)	(26,157)	(27,590)	1,906	1,671	-	-
Innovative Effective And Representative Council	10,639	10,715	9,760	18,061	18,252	19,423	(7,422)	(7,537)	(9,663)	135	112	1,019,835	1,015,308
Total Functions & Activities	48,800	51,744	48,260	95,789	94,495	94,718	(46,989)	(42,751)	(46,458)	3,820	3,768	1,019,835	1,015,308
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	27	392	-	-	-	-	27	392	-	-	2,344	2,317
General Purpose Income ¹	48,624	46,405	47,050	-	-	-	48,624	46,405	47,050	1,843	3,334	-	-
Operating Result from Continuing Operations	97,424	98,176	95,702	95,789	94,495	94,718	1,635	3,681	984	5,663	7,102	1,022,179	1,017,625

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 2(b). Council Functions / Activities - Component Descriptions

Details relating to the Council's functions/activities - Key Result Area (KRA) as reported in Note 2(a):

1. Governance

Costs relating to the Council's role as a component of democratic government, including elections, citizenship, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

2. Diverse Community - KRA1

A diverse community that is happy, healthy and fair. Main focus: healthy lifestyle opportunities; cultural diversity; affordable housing; social justice; targeted and accessible service provision; sport and recreation; learning opportunities; safety; arts and culture; public health and safety.

3. Robust Economy - KRA2

A robust economy with flourishing urban centres and a range of creative and other industries. Main focus: history and identity; creative arts, aboriginal art, events and other culture activity.

4. Planned Sustainable Accessible Environment - KRA3

A well planned, sustainable and accessible urban environment. Main focus: infrastructure, environment management, local economy, maintenance; planning controls; development assessment; roads and traffic; parking; street cleaning and illegal dumping; parks maintenance; street trees; Council buildings/assets; greenhouse gas emissions; air, noise and soil pollution; waterways; waste reduction, recycling and reuse; biodiversity; bushland; public transport and nonvehicular transport alternatives.

5. Innovative Effective Representative Council - KRA4

An innovative, effective and representative Council. Main focus: councillors and leadership; finance; value for money; customer service; transparency and accountability; community consultation and engagement; strategic planning and reporting; workforce planning; technology.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		24,618	23,506
Business		16,995	16,625
Total Ordinary Rates		41,613	40,131
Special Rates			
Urban Street		172	168
Total Special Rates		172	168
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		15,678	14,454
Stormwater Management Services		826	821
Section 611 Charges		208	198
Total Annual Charges		16,712	15,473
TOTAL RATES & ANNUAL CHARGES		58,497	55,772
Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		46	49
Total User Charges		46	49
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Regulatory/ Statutory Fees		1,693	1,644
Section 149 Certificates (EPA Act)		234	198
Section 603 Certificates		139	114
Total Fees & Charges - Statutory/Regulatory		2,066	1,956
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Child Care Centres		8,846	8,497
Community Centres		231	199
Hoarding Fees		520	339
Meals on Wheels		282	301
Park Rents		274	209
Street Parking Fees		418	384
Restoration Charges		1,482	1,789
Other		520	584
Total Fees & Charges - Other		12,573	12,302
TOTAL USER CHARGES & FEES		14,685	14,307

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		189	218
- Interest earned on Investments (interest & coupon payment income)		2,019	3,313
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)	11	462	75
Other		15	24
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,685</u>	<u>3,630</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		189	218
General Council Cash & Investments		1,910	2,556
Restricted Investments/Funds - External:			
Development Contributions - Section 94	17	586	856
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,685</u>	<u>3,630</u>
(d) Other Revenues			
Rental Income - Other Council Properties		3,984	3,057
Ex Gratia Rates		850	809
Fines - Parking		5,655	3,577
Legal Fees Recovery		164	412
Commissions & Agency Fees		(4)	-
Credit Card Transaction Fee		107	98
Insurance Claim Recoveries		36	-
Street Furniture Income		212	53
Health Inspection Administration Fees		11	86
Other		376	644
<u>TOTAL OTHER REVENUE</u>		<u>11,391</u>	<u>8,736</u>

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,485	2,990	-	-
Pensioners' Rates Subsidies - General Component	358	344	-	-
Total General Purpose	1,843	3,334	-	-
¹ The Financial Assistance Grant for 2013/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	153	168	-	-
Aged & Disability Care	482	545	-	-
Child Care Centres	747	856	-	-
Engineering Grants	-	-	288	164
Environmental Protection	272	794	175	6
Family Day Care - Operational Assistance	118	130	-	-
Learning And Development	13	22	-	-
Meals on Wheels Subsidy	144	141	-	-
Library (State Library Subsidy)	206	199	-	-
Library - special projects	4	30	-	-
Street Lighting	261	261	-	-
Transport (Roads to Recovery)	-	-	383	255
Transport (Other Roads & Bridges Funding)	-	-	306	68
LIRS loan interest subsidy	120	60	-	-
Other	148	69	-	-
Total Specific Purpose	2,668	3,275	1,152	493
Total Grants	4,511	6,609	1,152	493
Grant Revenue is attributable to:				
- Commonwealth Funding	180	175	383	255
- State Funding	4,331	6,434	769	238
	4,511	6,609	1,152	493

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the LGA):					
S 94 - Contributions towards amenities/services		-	-	3,982	4,379
S 94A - Fixed Development Consent Levies		-	-	488	369
Total Developer Contributions	17	-	-	4,470	4,748
Other Contributions:					
Other Councils - Joint Works/Services		259	561	-	-
RMS Contributions (Regional Roads, Block Grant)		453	370	-	-
Other		-	-	29	84
Total Other Contributions		712	931	29	84
Total Contributions		712	931	4,499	4,832
TOTAL GRANTS & CONTRIBUTIONS		5,223	7,540	5,651	5,325

	Actual 2014	Actual 2013
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(g) Restrictions relating to Grants and Contributions

Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the Close of the Previous Reporting Period	23,314	20,807
add: Grants & contributions recognised in the current period but not yet spent:	5,178	5,859
less: Grants & contributions recognised in a previous reporting period now spent:	(5,393)	(3,352)
Net Increase (Decrease) in Restricted Assets during the Period	(215)	2,507
Unexpended and held as Restricted Assets	23,099	23,314
Comprising:		
- Specific Purpose Unexpended Grants	6c 335	789
- Developer Contributions	17 22,764	22,525
	23,099	23,314

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		35,665	34,073
Travelling		14	10
Employee Leave Entitlements (ELE)		6,014	6,312
Superannuation		4,192	4,079
Workers' Compensation Insurance		1,100	1,490
Fringe Benefit Tax (FBT)		319	238
Training Costs (other than Salaries & Wages)		507	391
Other		224	131
Total Employee Costs		48,035	46,724
less: Capitalised Costs		(1,371)	(1,501)
TOTAL EMPLOYEE COSTS EXPENSED		46,664	45,223
Number of "Equivalent Full Time" Employees at year end		536	523
(b) Borrowing Costs			
Interest Bearing Liability Costs			
Interest on Loans		1,288	1,335
TOTAL BORROWING COSTS EXPENSED		1,288	1,335
(c) Materials & Contracts			
Raw Materials & Consumables		40,571	35,223
Contractor & Consultancy Costs		2,408	2,405
Auditors Remuneration ⁽¹⁾		57	54
Infringement Notice Contract Costs (SEINS)		749	474
Legal Expenses:			
- Legal Expenses: Planning & Development		253	190
- Legal Expenses: Debt Recovery		152	152
- Legal Expenses: Other		144	189
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		1,229	1,225
Total Materials & Contracts		45,563	39,912
less: Capitalised Costs		(19,431)	(15,929)
TOTAL MATERIALS & CONTRACTS		26,132	23,983

Materials & Contracts note continued on next page

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		57	49
- GST Advice		-	5
Total Auditor Remuneration		57	54
2. Operating Lease Payments are attributable to:			
Buildings		97	59
Computers		319	330
Motor Vehicles		728	746
Other		85	90
		1,229	1,225

	Impairment Costs		Depreciation/Amortisation	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Notes				
(d) Depreciation, Amortisation & Impairment				
Plant and Equipment	-	-	1,036	1,232
Office Equipment	-	-	137	183
Land Improvements (depreciable)	-	-	1,184	1,231
Car Parks (depreciable)	-	-	178	158
Buildings - Non Specialised	-	-	2,803	3,361
Infrastructure:				
- Roads	-	-	2,034	4,209
- Bridges	-	-	35	-
- Footpaths	-	-	516	-
- Stormwater Drainage	-	-	473	856
Other Assets				
- Other	-	-	171	218
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED	-	-	8,567	11,448

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		241	250
Bad & Doubtful Debts		458	298
Bank Charges		228	210
Carbon Tax Expense		396	459
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		111	108
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		1,064	1,008
- Waste Levy		2,370	1,959
- Electoral Commission		-	322
Councillor Expenses - Mayoral Fee		41	40
Councillor Expenses - Councillors' Fees		210	215
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		28	26
Donations, Contributions & Assistance to other organisations (Section 356)		201	390
Electricity		984	976
Insurance		1,476	1,332
Postage		153	139
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a),11	152	1,470
Street Lighting		1,338	1,373
Telephone & Communications		323	313
Valuation Fees		158	150
Water Rates		448	399
Gas		307	30
Cooks River Alliance Membership Fees		65	-
Other		1,092	1,072
Total Other Expenses		11,844	12,539
less: Capitalised Costs		-	(2)
TOTAL OTHER EXPENSES		11,844	12,537

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,508	1,338
less: Carrying Amount of P&E Assets Sold / Written Off		(1,491)	(1,205)
Net Gain/(Loss) on Disposal		17	133
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		-	(263)
Net Gain/(Loss) on Disposal		-	(263)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		102,500	112,900
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(102,500)	(112,900)
Net Gain/(Loss) on Disposal		-	-
Furniture & Fittings			
Proceeds from Disposal - Furniture & Fittings		-	-
less: Carrying Amount of Furniture & Fittings Assets Sold / Written Off		-	(62)
Net Gain/(Loss) on Disposal		-	(62)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		17	(192)

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		303	-	707	-
Cash-Equivalent Assets ¹					
- Deposits at Call		3,545	-	2,499	-
- Term Deposits		8,538	-	1,004	-
Total Cash & Cash Equivalents		12,386	-	4,210	-
Investments (Note 6b)					
- Term Deposits		25,421	4,121	39,631	11,610
- FRN's (with Maturities > 3 months)		-	13,212	-	6,656
- Mortgage Backed Securities		-	1,379	-	1,274
Total Investments		25,421	18,712	39,631	19,540
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		37,807	18,712	43,841	19,540

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		12,386	-	4,210	-
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Investments

a. "At Fair Value through the Profit & Loss"	6(b-i)	25,421	18,712	39,631	19,540
Investments		25,421	18,712	39,631	19,540

Note 6(b-i)**Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"**

Balance at the Beginning of the Year		39,631	19,540	38,072	18,650
Revaluations (through the Income Statement)		790	(328)	(194)	269
Transfer between classifications		7,000	(7,000)	-	-
Additions		80,500	6,500	112,253	3,021
Disposals (sales & redemptions)		(102,500)	-	(110,500)	(2,400)
Balance at End of Year		25,421	18,712	39,631	19,540
Comprising:					
- FRN's (with Maturities > 3 months)		-	13,212	-	6,656
- Long term Deposits		25,421	4,121	39,631	11,610
- Mortgage Backed Securities		-	1,379	-	1,274
Total		25,421	18,712	39,631	19,540

Refer to Note 22 - Fair Value Measurement for information regarding the fair value of investments held.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	37,807	18,712	43,841	19,540
attributable to:				
External Restrictions (refer below)	11,917	18,712	11,117	19,540
Internal Restrictions (refer below)	22,751	-	31,876	-
Unrestricted	3,139	-	848	-
	37,807	18,712	43,841	19,540

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Other

Developer Contributions - General (A)	22,525	5,056	(4,817)	22,764
Specific Purpose Unexpended Grants (B)	789	121	(575)	335
Domestic Waste Management (C)	4,901	15,838	(15,669)	5,070
Stormwater Management (C)	783	827	(781)	829
Mainstreet Levy (C)	302	7	(17)	292
Debbie And Abbey Borgia Sinking Fund	261	40	-	301
Marrickville Golf Trust (C)	117	-	(29)	88
Roads Act (C)	10	-	(10)	-
Watershed	186	8	(54)	140
WASIP	783	230	(203)	810
External Restrictions - Other	30,657	22,127	(22,155)	30,629
Total External Restrictions	30,657	22,127	(22,155)	30,629

A Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

B Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

C Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	2,397	1,519	(1,311)	2,605
Employees Leave Entitlement	5,516	252	(1,842)	3,926
Works in Progress Reserve	120	455	(135)	440
Election Reserve	110	125	-	235
Financial Assistance Grant Advance Reserve	1,622	563	(2,185)	-
Footpath Reserve	70	-	(70)	-
Interest Reserve	2,136	350	(843)	1,643
Monitoring Services Reserve	34	-	(34)	-
Property Reserve	17,334	2,684	(10,103)	9,915
Unexpended General Purpose Loans	692	1,842	(1,896)	638
Unexpended LIRS Loans	1,554	800	(649)	1,705
Connecting Marrickville Reserve	250	450	(605)	95
Resource Management Reserve	41	132	-	173
SES Maintenance Reserve	-	69	-	69
Infrastructure Works Reserve	-	2,009	(710)	1,299
Other	-	17	(9)	8
Total Internal Restrictions	31,876	11,267	(20,392)	22,751
TOTAL RESTRICTIONS	62,533	33,394	(42,547)	53,380

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,801	121	1,653	108
Interest & Extra Charges		257	258	234	249
User Charges & Fees		937	-	1,273	-
Accrued Revenues					
- Interest on Investments		9	-	12	-
- Other Income Accruals		128	-	369	-
Government Grants & Subsidies		629	-	196	-
Fines		1,778	878	1,192	523
Net GST Receivable		968	-	933	-
Workers Compensation		219	-	615	-
Total		6,726	1,257	6,477	880
less: Provision for Impairment					
Rates & Annual Charges		-	(121)	-	(108)
Interest & Extra Charges		-	(258)	-	(249)
User Charges & Fees		(319)	-	(413)	-
Fines		-	(878)	-	(523)
Total Provision for Impairment - Receivables		(319)	(1,257)	(413)	(880)
<u>TOTAL NET RECEIVABLES</u>		<u>6,407</u>	<u>-</u>	<u>6,064</u>	<u>-</u>
Externally Restricted Receivables					
Domestic Waste Management		444	-	395	-
Stormwater Management		29	-	27	-
Other					
- Urban Centres Levy		10	-	8	-
Total External Restrictions		483	-	430	-
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		5,924	-	5,634	-
TOTAL NET RECEIVABLES		6,407	-	6,064	-

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013: 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Marrickville Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		235	-	217	-
Total Inventories		235	-	217	-
Other Assets					
Prepayments		236	-	617	-
Total Other Assets		236	-	617	-
TOTAL INVENTORIES/OTHER ASSETS		471	-	834	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013				Asset Movements during the Reporting Period								as at 30/6/2014			
	At Cost	At Fair Value	Accumulated Dep'n	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Decrements to P&L	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Carrying Value
Capital Work in Progress	7,845	-	-	7,845	6,160	-	-	(3,511)	-	-	-	-	10,494	-	-	10,494
Plant & Equipment	-	9,212	4,308	4,904	2,755	(1,491)	(1,036)	-	-	-	-	-	-	8,804	3,672	5,132
Office Equipment	-	1,634	1,255	379	350	-	(137)	-	155	-	-	279	-	2,314	1,288	1,026
Land:																
- Operational Land	-	168,317	-	168,317	-	-	-	-	-	-	-	-	-	168,317	-	168,317
- Community Land	-	61,800	-	61,800	-	-	-	-	-	-	-	-	-	61,800	-	61,800
Land Improvements - Non Depreciable	-	-	-	-	-	-	-	-	1,089	-	-	-	-	1,089	-	1,089
Land Improvements - Depreciable	-	40,125	10,962	29,163	3,765	-	(1,184)	872	(2,039)	-	-	2,181	-	47,818	15,060	32,758
Car Parks - Non Depreciable	-	2,343	-	2,343	-	-	-	-	-	-	(124)	-	-	2,219	-	2,219
Car Parks - Depreciable	-	9,531	2,840	6,691	48	-	(178)	-	-	(152)	(1,304)	-	-	7,134	2,029	5,105
Buildings	-	144,900	68,250	76,650	387	-	(2,803)	92	39	-	(156)	-	-	145,075	70,866	74,209
Aquatic Facilities	-	19,851	506	19,345	3,018	-	-	2,182	-	-	-	-	-	25,051	506	24,545
Infrastructure:																
- Roads	-	419,523	77,514	342,009	1,298	-	(2,034)	110	-	-	-	-	-	420,931	79,548	341,383
- Bridges	-	3,485	1,262	2,223	-	-	(35)	-	-	-	-	-	-	3,485	1,297	2,188
- Footpaths	-	66,592	23,743	42,849	2,357	-	(516)	76	-	-	-	-	-	69,025	24,259	44,766
- Bulk Earthworks (non-depreciable)	-	99,948	-	99,948	-	-	-	-	-	-	-	-	-	99,948	-	99,948
- Stormwater Drainage	-	119,710	40,168	79,542	664	-	(473)	179	-	-	-	-	-	120,554	40,642	79,912
Other Assets:																
- Other	-	2,729	1,708	1,021	-	-	(171)	-	681	-	-	16	-	2,756	1,209	1,547
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	7,845	1,169,700	232,516	945,029	20,802	(1,491)	(8,567)	-	(75)	(152)	(1,584)	2,476	10,494	1,186,320	240,376	956,438

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$3,077) and New Assets (\$1,629).

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Refer to Note 22 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Marrickville Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment	-	739	501	238	-	773	588	185
Other Assets	-	2,756	1,209	1,547	-	2,727	1,707	1,020
Total DWM	-	3,495	1,710	1,785	-	3,500	2,295	1,205
TOTAL RESTRICTED I,PP&E	-	3,495	1,710	1,785	-	3,500	2,295	1,205

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services		3,095	-	2,311	-
Accrued Expenses:					
- Borrowings		38	-	42	-
- Salaries & Wages		358	-	193	-
- Other Expenditure Accruals		1,086	-	321	-
Advances		5	-	6	-
Security Bonds, Deposits & Retentions		2,390	-	2,289	-
Unearned Income		122	-	108	-
Total Payables		7,094	-	5,270	-
Borrowings					
Loans - Secured ¹		3,269	15,282	3,153	17,843
Total Borrowings		3,269	15,282	3,153	17,843
Provisions					
Employee Benefits;					
Annual Leave		3,645	-	3,480	-
Long Service Leave		7,979	983	7,711	668
Gratuities		40	13	43	14
Competencies		303	-	317	-
ELE On-Costs		414	35	561	33
Sub Total - Aggregate Employee Benefits		12,381	1,031	12,112	715
Excess Insurance		150	107	150	107
Other		316	-	224	-
Total Provisions		12,847	1,138	12,486	822
Total Payables, Borrowings & Provisions		23,210	16,420	20,909	18,665
(i) Liabilities relating to Restricted Assets					
Externally Restricted Assets					
Domestic Waste Management		308	-	231	-
Liabilities relating to externally restricted assets		308	-	231	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		308	-	231	-
Total Liabilities relating to Unrestricted Assets		22,902	16,420	20,678	18,665
TOTAL PAYABLES, BORROWINGS & PROVISIONS		23,210	16,420	20,909	18,665

¹ Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10. Payables, Borrowings & Provisions (continued)

\$ '000	Actual 2014	Actual 2013
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	8,921	8,260
Payables - Security Bonds, Deposits & Retentions	1,633	1,209
	10,554	9,469

Description of and movements in Provisions

Class of Provision	2013		2014			Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,480	2,416	(2,477)	226	-	3,645
Long Service Leave	8,379	950	(1,054)	687	-	8,962
Other Leave (enter deta	317	93	(107)	-	-	303
ELE On-Costs	594	-	-	(145)	-	449
Gratuities	57	1	(5)	-	-	53
Excess Insurance	257	-	-	-	-	257
Other	224	92	-	-	-	316
TOTAL	13,308	3,552	(3,643)	768	-	13,985

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	12,386	4,210
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		12,386	4,210
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		3,681	984
Adjust for non cash items:			
Depreciation & Amortisation	4d	8,567	11,448
Net Losses/(Gains) on Disposal of Assets	5	(17)	192
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"	3c	(462)	(75)
- Write Offs relating to the Fair Valuation of I,PP&E	6a,4e	152	1,470
Share of Net (Profits) or Losses of Associates/Joint Ventures	19	(27)	(392)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(626)	(844)
Increase/(Decrease) in Provision for Doubtful Debts		283	(346)
Decrease/(Increase) in Inventories		(18)	29
Decrease/(Increase) in Other Assets		381	(617)
Increase/(Decrease) in Payables		784	(1,147)
Increase/(Decrease) in accrued Interest Payable		(4)	-
Increase/(Decrease) in other accrued Expenses Payable		930	(186)
Increase/(Decrease) in Other Liabilities		114	(520)
Increase/(Decrease) in Employee Leave Entitlements		585	828
Increase/(Decrease) in Other Provisions		93	224
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		14,416	11,048
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		200	200
Total Financing Arrangements		700	700

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		410	1,494
Plant & Equipment		540	431
Infrastructure Assets		2,138	1,530
Other		1,400	-
Total Commitments		4,488	3,455
These expenditures are payable as follows:			
Within the next year		4,488	3,455
Total Payable		4,488	3,455

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)**a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:**

Within the next year	721	842
Later than one year and not later than 5 years	235	606
Total Non Cancellable Operating Lease Commitments	956	1,448

b. Non Cancellable Operating Leases include the following assets:

Heavy Plant, Building Leases, Computers, Photocopiers and Printers

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 13. Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(2,324)</u>	-2.53%	-3.50%	-5.12%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	92,019			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>86,796</u>	88.87%	86.49%	81.24%
Total continuing operating revenue ⁽¹⁾	97,670			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>32,285</u>	2.61 : 1	3.50	3.45
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>12,348</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>7,531</u>	1.66	2.32	2.92
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>4,533</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>2,058</u>	3.40%	3.27%	3.16%
Rates, Annual and Extra Charges Collectible	<u>60,573</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>41,928</u>	5.46	7.33	8.40
Payments from cash flow of operating and financing activities	<u>7,674</u>			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

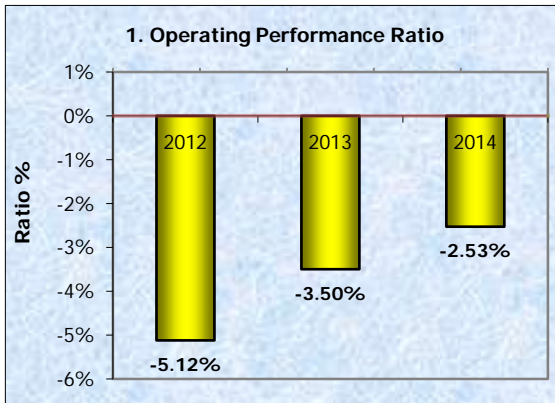
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 13. Local Government Industry Indicators - Graphs (Consolidated)



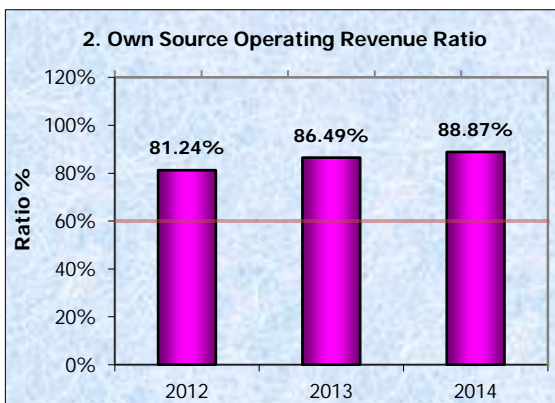
Purpose of Operating Performance Ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2013/14 Result	
2013/14 Ratio	-2.53%
Council's Operating Performance Ratio is below the benchmark of 0% due to the fact that Council funds its operating projects from cash reserves restricted in previous financial years.	

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



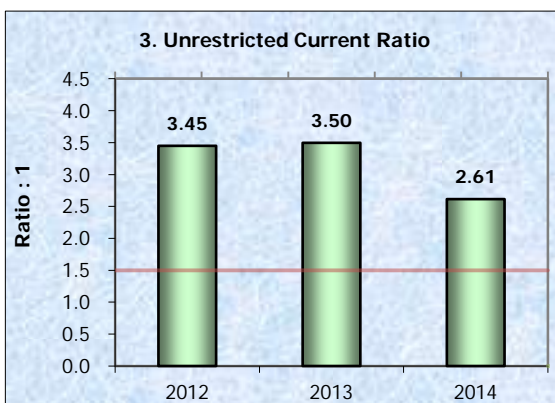
Purpose of Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

Commentary on 2013/14 Result	
2013/14 Ratio	88.87%
Council's Own Source Operating Revenue ratio is above the benchmark of 60% and has increased as the amount of operating grants received during this financial year decreased.	

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2013/14 Result	
2013/14 Ratio	2.61 : 1
Council's Unrestricted Current ratio is above the benchmark of 1.5 and has decreased due the completion of Major Projects that has led to a reduction in Council's cash reserves.	

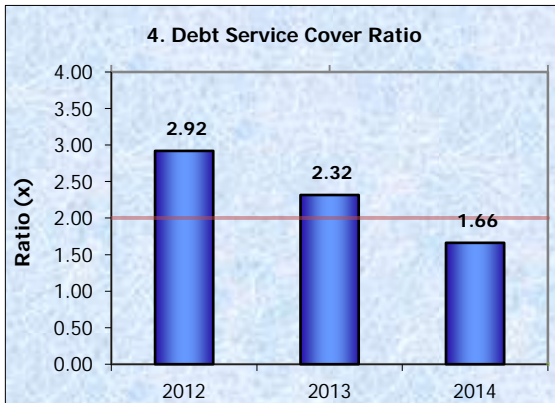
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 13. Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

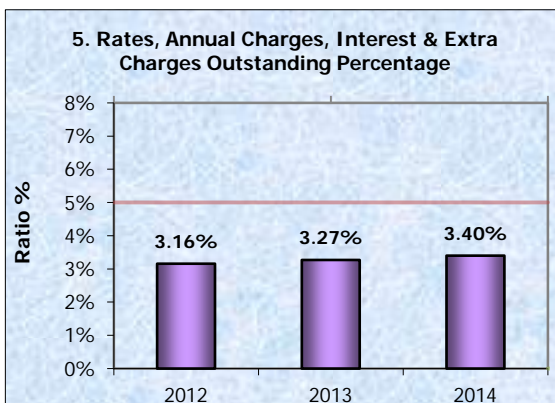
Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2013/14 Result

2013/14 Ratio 1.66

Council's Debt Service ratio has is below the benchmark of 2 but is capable of servicing its existing loan obligations (secured against rates income).



— Maximum 5.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

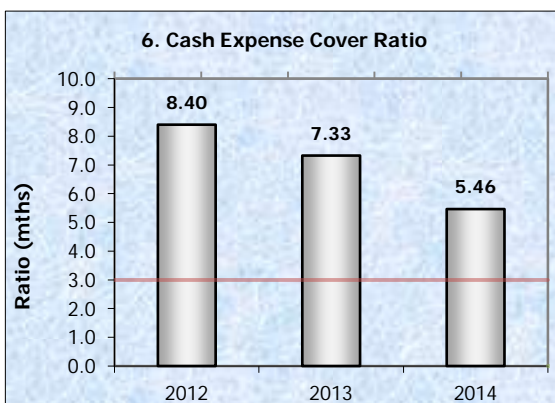
Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2013/14 Result

2013/14 Ratio 3.40%

Council's Outstanding Rates and Annual Charges ratio is currently below the benchmark of 5% and has increased slightly due to Council's policy of not taking debt recovery action against pensioners.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on Result

2013/14 Ratio 5.46

Council's Cash Expense Cover ratio has is above the benchmark of 3 and has decreased due the completion of Major Projects that has led to a reduction in Council's cash reserves.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

		Carrying Value		Fair Value	
		2014	2013	2014	2013
Financial Assets					
Cash and Cash Equivalents	6a	12,386	4,210	12,386	4,210
Investments					
- "Held for Trading"	6b	44,133	59,171	44,133	59,171
Receivables	7	6,407	6,064	6,407	6,064
Total Financial Assets		62,926	69,445	62,926	69,445
Financial Liabilities					
Payables	10a	7,094	5,270	7,094	5,270
Loans / Advances	10b	18,551	20,996	19,315	20,212
Total Financial Liabilities		25,645	26,266	26,409	25,482

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 22 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2014				
Possible impact of a 10% movement in Market Values	4,413	4,413	(4,413)	(4,413)
Possible impact of a 1% movement in Interest Rates	123	123	(123)	(123)
2013				
Possible impact of a 10% movement in Market Values	5,917	5,917	(5,917)	(5,917)
Possible impact of a 1% movement in Interest Rates	634	634	(634)	(634)

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2014		2013	
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	47%	0%	53%
Overdue	100%	53%	100%	47%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)		2,623	-	2,965
Past due by up to 30 days	734	812	693	222
Past due between 31 and 60 days	-	1,091	-	95
Past due by more than 61 days	1,703	1,020	1,068	2,314
	2,437	5,546	1,761	5,596
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			1,293	1,639
+ new provisions recognised during the year			377	118
- amounts already provided for & written off this year			(94)	(323)
- amounts provided for but recovered during the year			-	(141)
Balance at the end of the year			1,576	1,293

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	2,390	4,704	-	-	-	-	-	7,094	7,094
Loans & Advances	-	4,351	4,097	3,919	3,253	2,543	4,213	22,376	18,551
Total Financial Liabilities	2,390	9,055	4,097	3,919	3,253	2,543	4,213	29,470	25,645
2013									
Trade/Other Payables	2,289	2,981	-	-	-	-	-	5,270	5,270
Loans & Advances	-	4,426	4,142	3,889	3,711	3,155	6,770	26,093	20,996
Total Financial Liabilities	2,289	7,407	4,142	3,889	3,711	3,155	6,770	31,363	26,266

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

The following interest rates were applicable to Council's Borrowings at balance date:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Loans & Advances - Fixed Interest Rate	18,551	6.9%	20,996	6.3%
	<u>18,551</u>		<u>20,996</u>	

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/2014 was adopted by the Council on 11 June 2013.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	58,477	58,497	20	0%	F
User Charges & Fees	14,032	14,685	653	5%	F
Interest & Investment Revenue	3,667	2,685	(982)	(27%)	U
The unfavourable budget variance was primarily driven by lower than anticipated interest rates received during the year.					
Other Revenues	8,637	11,391	2,754	32%	F
The favourable budget variance was driven by higher than anticipated parking fines income and the new lease agreement for the Annette Kellerman Aquatic Centre.					
Operating Grants & Contributions	6,721	5,223	(1,498)	(22%)	U
The unfavourable budget variance was driven by the Financial Assistance Grant (FAG) advance payment being and not paid until the 2014/15 financial year.					
Capital Grants & Contributions	4,383	5,651	1,268	29%	F
The favourable budget variance was driven by higher than anticipated Section 94 developer contributions received during the year.					
Net Gains from Disposal of Assets	1,507	17	(1,490)	(99%)	U
The unfavourable budget variance was driven by the fact that Council did not budget for the cost of sales in determining the net gains from Disposal of Assets.					

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	48,050	46,664	1,386	3%	F
Borrowing Costs	1,327	1,288	39	3%	F
Materials & Contracts	23,322	26,132	(2,810)	(12%)	U
The unfavourable budget variance was driven by revoted budgets carried forward from the 2012/13 budget					
Depreciation & Amortisation	11,120	8,567	2,553	23%	F
The favourable budget variance was driven by revaluations conducted as a part of 2012/13 financial statements.					
Other Expenses	11,970	11,844	126	1%	F
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	11,248	14,416	3,168	28.2%	F
The favourable budget variance was driven by higher than anticipated income received which has partly been offset by higher than anticipated expenditure.					
Cash Flows from Investing Activities	(22,575)	(3,795)	18,780	(83.2%)	F
The favourable budget variance was driven by unexpended capital projects which will be carried forward into the 2014/15 financial year.					
Cash Flows from Financing Activities	(1,351)	(2,445)	(1,094)	81.0%	U
The unfavourable budget variance was driven by the fact that Council sources its loan funds internally for the capital budget loan program. An additional \$800K was drawn down to fund additional scope of a LIRS related project.					

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	72	-	-	-	(72)	-	-	-	-	-	-
Roads	350	-	-	9	-	-	359	-	(359)	-	-
Traffic Facilities	4,107	510	-	114	(349)	-	4,382	506	(4,888)	-	-
Parking	594	-	-	14	(57)	-	551	-	(551)	-	-
Open Space	11,913	2,808	-	288	(3,747)	-	11,262	3,100	(14,362)	-	-
Community Facilities	4,166	664	-	125	(169)	-	4,786	740	(5,526)	-	-
Administration	1,007	94	-	17	(423)	-	695	106	(801)	-	-
S94 Contributions - under a Plan	22,209	4,076	-	567	(4,817)	-	22,035	4,452	(26,487)	-	-
S94A Levies - under a Plan	316	394	-	19	-	-	729				-
Total S94 Revenue Under Plans	22,525	4,470	-	586	(4,817)	-	22,764				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
Total Contributions	22,525	4,470	-	586	(4,817)	-	22,764	4,452	(26,487)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

2004 S94 Developer Contributions Plan

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	72	-	-	-	(72)	-	-	-	-	-	-
Roads	350	-	-	9	-	-	359	-	(359)	-	-
Traffic Facilities	4,107	507	-	114	(349)	-	4,379	500	(4,879)	-	-
Parking	594	-	-	14	(57)	-	551	-	(551)	-	-
Open Space	11,913	2,650	-	284	(3,747)	-	11,100	2,800	(13,900)	-	-
Community Facilities	4,166	641	-	124	(169)	-	4,762	700	(5,462)	-	-
Administration	1,007	91	-	17	(423)	-	692	100	(792)	-	-
Total	22,209	3,889	-	562	(4,817)	-	21,843	4,100	(25,943)	-	-

2014 S94 Developer Contributions Plan

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	-	158	-	4	-	-	162	300	(462)	-	-
Community Facilities	-	23	-	1	-	-	24	40	(64)	-	-
Traffic Facilities	-	3	-	-	-	-	3	6	(9)	-	-
Administration	-	3	-	-	-	-	3	6	(9)	-	-
Total	-	187	-	5	-	-	192	352	(544)	-	-

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(ii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iii) Other Guarantees

Council has provided no other Guarantees other than those listed above.

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Associated Entities & Joint Venture Entities

Note 19(a) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

		Council's Share of Net Income		Council's Share of Net Assets	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	Metro Pool	3	315	1,999	1,996
Joint Venture Entities	UIPs	24	77	345	321
Total		27	392	2,344	2,317

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

(a) Associated Entities & Joint Venture Entities

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2014	2013
United Independent Pools	Local Govt. Insurance Coverage	345	321
Metro Pool	Local Govt. Insurance Coverage	1,999	1,996
Total Carrying Amounts - Associated Entities		2,344	2,317

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
United Independent Pools	5%	5%	5%	5%	6%	6%
Metro Pool	24%	24%	24%	24%	13%	13%

(c) Movement in Carrying Amounts of Council's Equity Interest

	United Independent Pools		Metro Pool	
	2014	2013	2014	2013
Opening Balance	321	244	1,996	1,681
Share in Operating Result	24	77	3	315
Council's Equity Share in the Associated Entity	345	321	1,999	1,996

(d) Summarised Financial Information of Associated and JV Entities - Council's Share

2014	Assets	Liabilities	Net Assets	Revenues	Profit
United Independent Pools	505	160	345	453	24
Metro Pool	4,535	2,536	1,999	1,062	3
Totals	5,040	2,696	2,344	1,515	27

2013	Assets	Liabilities	Net Assets	Revenues	Profit
United Independent Pools	447	126	321	478	77
Metro Pool	4,077	2,081	1,996	1,053	315
Totals	4,524	2,207	2,317	1,531	392

(e) Contingent Liabilities of Associates

	2014	2013
Share of Contingent Liabilities incurred jointly with other investors	100%	100%
Share of Contingent Liabilities for which Council is severally liable	100%	100%

No material losses are anticipated in respect of any of the above contingent liabilities

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		566,785	430,056
a. Other Comprehensive Income (excl. direct to Reserves transactions)		(75)	135,745
b. Net Operating Result for the Year		3,681	984
Balance at End of the Reporting Period		570,391	566,785
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		412,158	411,266
Total		412,158	411,266
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		411,266	373,603
- Revaluations for the year	9(a)	892	37,663
- Balance at End of Year		412,158	411,266
TOTAL VALUE OF RESERVES		412,158	411,266

(iii) Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

(c) Correction of Error/s relating to a Previous Reporting Period

As part of Council's transition to measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:

- Office Equipment
- Land Improvements
- Car Parks (depreciable and non depreciable)
- Other Assets (waste bins)

(continued on the next page...)

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Correction of Error/s relating to a Previous Reporting Period			
<i>(continued)</i>			
<p>As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.</p> <p>This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.</p> <p>Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/12 (the closing date for the comparative figures in last year's financial reports).</p> <p>As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/2013 to reflect the correct value of accumulated depreciation;</p>			
Office Equipment decrease to accumulated depreciation		155	-
Parks - Car Parks - Non Depreciable brought to account		1,089	-
Land Improvements Assets increase to accumulated depreciation		(2,039)	-
Other Assets decrease to accumulated depreciation		681	209
Stormwater Assets decrease to accumulated depreciation		-	141
Land Improvements Assets decrease to accumulated depreciation		-	36,848
Infrastructure Roads, Bridges, Footpaths decrease to accumulated depreciation		-	2,736
Buildings decrease to accumulated depreciation		39	62,806
Car Parks - Non Depreciable brought to account		-	23,813
Car Parks - Depreciable brought to account		-	2,343
		-	6,849
		(75)	135,745

This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/2013.

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.

(d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period ended 30 June 2014 and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 14/10/14.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

Fair Value Hierarchy

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. The OLG Code 22 has removed the Level 1 measurement.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents the assigned level for each asset and liability held at fair value by Council at the reporting date:

2014		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	9	-	-	5,132	5,132
Office Equipment	9	-	-	1,026	1,026
Operational Land	9	-	-	168,317	168,317
Community Land	9	-	-	61,800	61,800
Land Improvements - depreciable	9	-	-	32,758	32,758
Land Improvements - Non depreciable	9	-	-	1,089	1,089
Car Parks - Non Depreciable	9	-	-	2,219	2,219
Car Parks - Depreciable	9	-	-	5,105	5,105
Buildings	9	-	-	74,209	74,209
Infrastructure - Roads	9	-	-	341,383	341,383
Infrastructure - Bridges	9	-	-	2,188	2,188
Infrastructure - Footpaths	9	-	-	44,766	44,766
Infrastructure - Bulk Earthworks (non-depreciable)	9	-	-	99,948	99,948
Infrastructure - Stormwater Drainage	9	-	-	79,912	79,912
Swimming Pools	9	-	-	24,545	24,545
Other	9	-	-	1,547	1,547
Total Infrastructure, Property, Plant & Equipment		-	-	945,944	945,944

Non-recurring Fair Value Measurements

Nil

The Council's financial assets relates to its investments in term deposits, FRNs and mortgage back securities. The information included under Note 6(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this Note.

Council does not have any liabilities which are fair valued.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

(2) Valuation process and techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

Council's non-current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government. Further details of the revaluations policy is provided under Note 1(k).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Buildings (Buildings, Car Parks and Swimming Pools)

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings was last revalued in the 30 June 2013 financial year and the fair values were determined by Scott Fullarton Valuations Pty Ltd.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

Land (Operational Land and Community Land)

Community land was last revalued at 30 June 2011 and Operational Land was last revalued at 30 June 2013. The valuations for Council's operational and community land is undertaken by the Council's internal valuations team.

The fair value of land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

The fair value for community land and land under roads has been determined using a unit rate per square metre, derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. Given the nature of community land and land under roads, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer's General's valuation is considered the most practicable approach to valuing community land and land under roads.

The key unobservable input to the valuation is the rate per square metre, for which, further details have been provided below

Infrastructure Assets (Roads, Bridges, Footpaths, Drainages, Bulk Earthworks)

Valuations for infrastructure assets are performed internally by the Council's internal engineering team. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square metres, cubic metres or lineal metres.

The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers. Infrastructure assets were last revalued at 30 June 2013.

The information presented below on unobservable input has been limited to significant components of the infrastructure assets as it impracticable to provide information for all components.

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

(2) Valuation process and techniques used to derive Level 2 and Level 3 Fair Values (continued)**Other Fixed Assets (Plant & Equipment, Office Equipment, Land Improvements, Other)**

The valuation for Council's other assets is undertaken by the Council's internal valuations team. The last revaluation is undertaken at 30 June 2014.

The information presented below on unobservable input has been limited to significant components of the infrastructure assets as it impracticable to provide information for all components.

(3) Fair value measurements using significant unobservable inputs (Level 3)

The following table summarises the quantitative information relating to the significant unobservable inputs used and their relationship in deriving the various Level 3 Asset Class fair values.

Class - I,PP&E	Fair Value (30/6/14) \$'000	Range of Inputs (incl. probable)	Unobservable Inputs	Relationship of unobservable inputs to Fair Value
Operational Land	168,317	\$100 - \$2,000 per sqm	rates per square metre	The higher the rate, the higher the FV. Significant variances in the rate per square metre is reflective of the inherent features of the land such as zoning and useability.
Community Land	61,800	per 2011's VG valuation of \$100 - \$2,000 per sqm	rates per square metre	The same as operational land above
Buildings	74,209	\$200 - \$7,000 per sqm as per 2013 revaluation	rates per square metre	The higher the rate, the higher the FV. Significant variances in the rate is reflective of the condition, nature and materials used to construct the building.
Car Parks	7,324	The same as building above	rates per square metre	The same as building above
Aquatic Facilities	24,545	The same as building above	rates per square metre	The same as building above
Roads	341,383	\$1,000 - \$2,000 per sqm	rates per square metre	The higher the rate, the higher the FV.
Bridges	2,188	Varies significantly from asset to asset	rates per square metre	The same as road above
Footpaths	44,766	\$100 - \$200 per sqm	rates per square metre	The same as road above
Bulk Earthworks (non-depreciable)	99,948	Varies significantly from asset to asset	rates per square or cubic metre	The same as road above
Stormwater Drainage	79,912	\$1,000 - \$2,000 per sqm	rates per square metre	The same as road above
Other	41,552	Varies significantly from asset to asset	rates per square metre/unit	The same as road above

Marrickville Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

(4) Reconciliation of Movements to Level 3 Fair Value Measurements

The items classified under level 3 are infrastructure, property, plant and equipment. The reconciliation of movements in these assets is presented under Note 9 respectively.

(5) Transfers between Levels of the Hierarchy

There were no transfers of assets and liabilities between the hierarchies.

(6) Highest and best use

The following non financial assets of Council are being utilised for purposes that do not generate commercial revenues - Community based assets

Council undertakes a number of services with a strong focus of providing community benefits to its constituents.

These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Land under the asset class Community Land comprises Crown land under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the Local Government Act 1993. Furthermore, Council has a number of buildings that are applied in delivering community services.

The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to Councils.

Marrickville Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 28. Council Information & Contact Details

Principal Place of Business:

2 - 14 Fisher Street
Petersham NSW 2049

Contact Details

Mailing Address:

Po Box 14
Petersham NSW 2049

Opening Hours:

Weekdays
8:30am to 5:00pm

Telephone: 02 9335 2222

Facsimile: 02 9335 2029

Internet: <http://www.marrickville.nsw.gov.au>

Email: council@marrickville.nsw.gov.au

Officers

GENERAL MANAGER

BRIAN BARRETT

RESPONSIBLE ACCOUNTING OFFICER

STEVE KLUDASS

PUBLIC OFFICER

STEVE KLUDASS

AUDITORS

PRICEWATERHOUSECOOPERS

201 Sussex Street

Sydney NSW

Elected Members

MAYOR

MARK GARDINER

COUNCILLORS

ROSANA TYLER

MELISSA BROOKES

SYLVIE ELLSMORE

JO HAYLEN

MORRIS HANNA

SAM ISKANDAR

DAVID LEARY

MAX PHILLIPS

VICTOR MACRI

CHRIS WOODS

Other Information

ABN: 52 659 768 527



The Marrickville Council

Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements

Report on the financial statements

We have audited the accompany financial statements of the Marrickville Council, which comprise the statement of financial position as at 30 June 2014 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993 and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 and the Projections disclosed in note 17 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz
Partner

Sydney
22 October 2014



Private & Confidential
The Mayor
Councillor Mark Gardiner
Marrickville Council
DX 3910
ANNANDALE

Dear Councillor Gardiner

Report on the conduct of the Audit for year ended 30 June 2014 – Section 417(3)

We have completed our audit of the financial reports of the Council for the year ended 30 June 2014, in accordance with Section 415 of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) of the Local Government Act 1993.

Flowing from our audit, there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

Operating result

Council's operating surplus improved from \$984,000 in the previous year to \$3.7 million in the current period. The net operating result before Capital Contributions was a deficit of \$2 million against the previous year's deficit of \$4 million.

Cash position

Council's overall cash position improved from \$63 million to \$56 million during the period under review. The following table highlights the composition of cash.

	2014	2013
	\$m	\$m
Externally restricted	30	30
Internally restricted	23	32
Unrestricted	3	1
Total	56	63

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Working capital

Council's net current assets declined from \$30 million to \$21 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	2014 \$m	2013 \$m
Net current assets	21	30
Less: External restrictions	(12)	(11)
Internal restrictions	(23)	(32)
Add: Current liabilities deferred	19	17
Available working capital	5	4

The effective unrestricted or available working capital upon which Council could build its 2015 budget was \$5 million.

Performance indicators

The financial reports disclose of a number of indicators in Note 13 and these are detailed below:

	2014 %	2013 %
Operating Performance Ratio	(3)	(4)
Own Source Operating Revenue Ratio	89	86
Unrestricted Current Ratio	261	350
Debt Service Cover Ratio	166	232
Rates Outstanding Ratio	3.4	3.3
Cash Expense Cover Ratio	5	7

The Operating Performance Ratio improved but remained below the industry benchmark of 0%.

The Own Source Operating Revenue Ratio improved to 89% to remain above the industry benchmark of 60%.

The Unrestricted Current Ratio declined but remained above the industry benchmark of 150%.

The Debt Service Cover Ratio declined and is below the industry benchmark of 200%.

The Rates Outstanding Ratio was stable and remained below the industry benchmark of 5%.

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 5 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.

Council is considered to be in a sound and stable financial position.



General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and his staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'P L Buchholz', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'P L Buchholz', written in a cursive style.

P L Buchholz
Partner
22 October 2014

Sydney

Marrickville Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014



"a diverse, vibrant and
innovative community"

Marrickville Council

Special Purpose Financial Statements for the financial year ended 30 June 2014

COUNCIL HAS NOT DECLARED ANY BUSINESS ACTIVITIES

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Marrickville Council

SPECIAL SCHEDULES
for the year ended 30 June 2014



"a diverse, vibrant and
innovative community"

Marrickville Council

Special Schedules

for the financial year ended 30 June 2014

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2014)	5
- Special Schedule No. 8	Financial Projections	8
- Special Schedule No. 9	Permissible Income Calculation	9

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Marrickville Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	635	-	-	(635)
Administration	25,008	5,021	4,470	(15,517)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,095	-	-	(1,095)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	4,316	6,427	-	2,111
Animal Control	-	-	-	-
Other	-	-	-	-
Total Public Order & Safety	5,411	6,427	-	1,016
Health	663	363	-	(300)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	1,956	436	14	(1,506)
Solid Waste Management	12,224	15,841	-	3,617
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	1,374	-	130	(1,244)
Total Environment	15,554	16,277	144	867
Community Services and Education				
Administration & Education	454	-	-	(454)
Social Protection (Welfare)	702	31	-	(671)
Aged Persons and Disabled	1,476	894	-	(582)
Children's Services	10,068	9,936	-	(132)
Total Community Services & Education	12,700	10,861	-	(1,839)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	1,759	261	-	(1,498)
Town Planning	3,736	1,428	-	(2,308)
Other Community Amenities	36	46	-	10
Total Housing and Community Amenities	5,531	1,735	-	(3,796)

Marrickville Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	3,969	242	-	(3,727)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	855	244	-	(611)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	1,959	137	-	(1,822)
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	938	1,070	15	147
Parks & Gardens (Lakes)	7,025	493	236	(6,296)
Other Sport and Recreation	253	-	-	(253)
Total Recreation and Culture	14,999	2,186	251	(12,562)
Mining, Manufacturing and Construction				
Building Control	1,864	14	100	(1,750)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,864	14	100	(1,750)
Transport and Communication				
Urban Roads (UR) - Local	7,238	2,277	398	(4,563)
Urban Roads - Regional	799	258	125	(416)
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	428	40	-	(388)
Footpaths	1,152	-	-	(1,152)
Aerodromes	-	-	-	-
Other Transport & Communication	2,018	404	163	(1,451)
Total Transport and Communication	11,635	2,979	686	(7,970)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	495	230	-	(265)
Total Economic Affairs	495	230	-	(265)
Totals – Functions	94,495	46,093	5,651	(42,751)
General Purpose Revenues ⁽²⁾		46,405		46,405
Share of interests - joint ventures & associates using the equity method	-	27		27
NET OPERATING RESULT ⁽¹⁾	94,495	92,525	5,651	3,681

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Marrickville Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Financial Institutions	3,153	17,843	20,996	800	3,245	-	-	1,288	3,269	15,282	18,551
Total Loans	3,153	17,843	20,996	800	3,245	-	-	1,288	3,269	15,282	18,551
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	3,153	17,843	20,996	800	3,245	-	-	1,288	3,269	15,282	18,551

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Replacement Value (CRC) ⁽⁴⁾	Assets in Condition as a % of Replacement Value ^{(4), (5)}				
						1	2	3	4	5
Buildings	Park Building	250	482	429	26,860	26%	55%	18%	1%	0%
	Buildings General	158	2,948	2,234	143,267	1%	59%	22%	2%	16%
	sub total	408	3,430	2,663	170,127	4.9%	58.4%	21.4%	1.8%	13.5%
Roads	Sealed Roads Surface	1,763	2,251	1,382	36,815	70%	20%	0%	8%	2%
	Sealed Roads Structure	1,147	1,476	538	272,587	68%	24%	0%	8%	0%
	Bridges		20		3,485	0%	94%	1%	5%	0%
	Footpaths		2,279	2,489	69,025	72%	1%	25%	2%	0%
	Kerb and Gutter	450	1,103	495	75,645	18%	44%	31%	5%	2%
	Other Road Assets	300	652	50	35,884	65%	32%	2%	1%	0%
	sub total	3,660	7,781	4,954	493,441	60.3%	24.6%	8.4%	6.2%	0.5%
Recreational	Open Space Assets	450	2,148	3,368	47,818	17%	77%	5%	1%	0%
	sub total	450	2,148	3,368	47,818	17.0%	77.0%	5.0%	1.0%	0.0%
Other	Car Park Commercial	148	59	12	7,134	28%	26%	31%	9%	6%
	sub total	148	59	12	7,134	28.0%	26.0%	31.0%	9.0%	6.0%

Marrickville Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Replacement Value (CRC) ⁽⁴⁾	Assets in Condition as a % of Replacement Value ^{(4), (5)}					
						1	2	3	4	5	
Stormwater Drainage	Pits	180	174	133	19,334	1%	24%	74%	2%	0%	
	Pipes	220	411	180	98,935	59%	17%	12%	4%	8%	
	Retarding Basins		11		842	17%	33%	50%		0%	
	GPTs		9		451		100%			0%	
	WSUD		76	9	942	90%		10%		0%	
	Pump Station			1		50			100%		0%
	sub total		400	682	322	120,554	49.4%	18.3%	22.1%	3.6%	6.6%
	TOTAL - ALL ASSETS	5,066	14,100	11,319	839,074	31.9%	40.9%	17.6%	4.3%	5.3%	

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard. This is based on a risk management approach to calculate the annual renewal shortfall for a 10 year strategy as detailed in the Asset Management Plans scenario 2. This estimated cost should not include any planned enhancements (ie. to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard. This includes maintenance and renewal activities.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets. Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Replacement Value is in accordance with Note 9 of Council's General Purpose Financial Statements

(5). **Infrastructure Asset Condition Assessment "Key"**

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

Road Formation is not conditioned.
Road surface actual and required maintenance includes some structure maintenance.
Current systems do not always differentiate for flexible pavements.

Marrickville Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Amounts	Indicator	Prior Periods	
	2014	2014	2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>3,077</u>	52.50%	76.46%	30.69%
Depreciation, Amortisation & Impairment	<u>5,861</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>5,066</u>	0.01	0.01	0.05
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>839,074</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>11,319</u>	0.80	0.92	0.89
Required Asset Maintenance	<u>14,100</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>20,802</u>	2.43	1.52	1.02
Annual Depreciation	<u>8,567</u>			

Notes

⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽²⁾ Written down value

Marrickville Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	98,176	101,586	104,984	109,641	112,313	115,359	118,997	120,467	124,169	128,112	131,889
Expenses from continuing operations	94,495	100,536	100,922	104,714	106,434	108,802	111,988	115,646	118,243	121,579	125,018
Operating Result from Continuing Operations	3,681	1,050	4,062	4,927	5,879	6,557	7,009	4,821	5,926	6,533	6,871
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	8,016	14,588	12,735	11,166	11,106	11,470	10,510	8,809	9,445	9,909	9,758
Replacement/Refurbishment of Existing Assets	12,784	14,379	14,398	11,859	8,084	7,240	7,959	8,055	8,260	8,471	8,688
Total Capital Budget	20,800	28,967	27,133	23,025	19,190	18,710	18,469	16,864	17,705	18,380	18,446
Funded by:											
– Internal Loans	2,541	1,979	2,462	2,047	2,105	1,877	1,941	2,260	2,318	2,377	2,437
– Asset sales	1,507	1,443	1,443	1,529	1,455	1,709	1,718	1,767	1,581	1,816	1,694
– Reserves	14,777	21,859	19,777	15,988	12,262	12,519	11,913	10,676	11,688	12,286	12,590
– Grants/Contributions	1,559	1,731	1,653	1,787	1,768	1,166	1,591	1,258	1,292	1,328	1,365
– Recurrent revenue	386	1,955	1,798	1,674	1,600	1,439	1,306	903	826	573	360
– Other	30	-	-	-	-	-	-	-	-	-	-
	20,800	28,967	27,133	23,025	19,190	18,710	18,469	16,864	17,705	18,380	18,446

Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Marrickville Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	41,073	42,497
Plus or minus Adjustments ⁽²⁾	b	27	(9)
Notional General Income	c	41,100	42,489
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	1,397	977
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	42,497	43,466
plus (or minus) last year's Carry Forward Total	l	-	-
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	-	-
Total Permissible income	o = k + n	42,497	43,466
less Notional General Income Yield	p	42,497	43,466
Catch-up or (excess) result	q = o - p	0	0
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	0	0

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.



The Marrickville Council

Independent auditor's report Report on the Special Schedule No. 9

Report on the Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of the Marrickville Council ("the Council") for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

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Audit Opinion

In our opinion, Special Schedule No. 9 of the Marrickville Council for the year ending 30 June 2015 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the council and the Division of Local Government.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz
Partner

Sydney
22 October 2014





Marrickville Council
**CREATIVITY
LAB
REPORT**

Attachment 11

CREATIVE COUNCILS FOR CREATIVE COMMUNITIES

DRAFT REPORT ON THE MARRICKVILLE
CREATIVITY PROJECT JUNE 2015

A joint initiative:



Responsible for this report:

J. Bennett (Marrickville Council)

R. Woods (UTS:CLG)

N. Bower (Marrickville Council)

S. Bruce (UTS:CLG)

G. O'Connor (UTS:CLG)

Disclaimer: this version is the final unpublished draft. It is expected that this report will be published in July 2015

Draft not for citation

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UTS CRICOS Provider Code: 00099F

TABLE OF CONTENTS

Executive Summary	i
1 Introduction	1
1.1 Background and rationale	1
1.2 Objectives	1
2 Marrickville: A creative community	2
2.1 Marrickville Local Government Area (LGA)	2
2.2 Creativity in the community	2
2.3 Marrickville's creative evolution	3
2.4 Marrickville Council: Part of a creative community	4
3 Literature Review	6
3.1 Creative communities	6
3.2 Workplaces and creativity	7
3.3 Creativity in local government	11
3.4 Good practice examples	15
3.5 Summary	17
4 Marrickville Creativity Project	19
4.1 Marrickville Creativity Project Literature Review	19
4.2 Creativity Labs	20
4.3 Project evaluation	21
4.4 Post-project evaluation	26
5 Integration of the learning into Marrickville Council	28
5.1 Impacts	28
5.2 Connecting Marrickville Program	30
5.3 Challenges	32
5.4 Next steps	33
5.5 Summary	33
6 Conclusions and implications	34
6.1 Project summary	34
6.2 Conclusions	34
6.3 Implications for local government	35
7 References	36

APPENDICES

Appendix A.	Marrickville Creativity Labs – Description of program
Appendix B.	Marrickville Creativity Labs Evaluation Survey Questionnaire

TABLES

Table 1: Innovation ideas for local government in Australia	15
Table 2: Creativity Lab hypotheses	21
Table 3: Emergent learning from each of the Creativity Labs	24
Table 4: Creativity Lab hypotheses and group results	26
Table 5: change at the Council since conclusion of the project	29

Table 6: Program for the Marrickville Creativity Labs	39
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FIGURES

Figure 1: Promotion of creativity and its implementation	10
Figure 2: Public service innovation	12
Figure 3: Innovation strategies suited to local government	14
Figure 4: Marrickville Creativity Labs literature review summary	19
Figure 5: Marrickville Creativity Labs Mind Map (Bruce, 2013)	20
Figure 6: Graphic representation of discussion in Lab 8	25
Figure 7: Marrickville Creativity Labs longer-term effects	27
Figure 8: Creativity Labs Visual report 'I will...' statements (Lazenby, 2013)	28

Draft not for citation

Executive Summary

This report by Marrickville Council and the Centre for Local Government, University of Technology Sydney (UTS:CLG) contributes to understanding of the role of creativity as a prerequisite to innovation in local government, particularly during a time of change and reform to the local government sector.

The study demonstrates that a local council can fruitfully draw on a key characteristic of the community in which it is located and thereby supplement its approach to working in and for that community. In the case of Marrickville Council and the Marrickville Creativity Project, it represented an opportunity to more explicitly add creativity to council functioning so as to better serve a community that is well recognised for its creative industries and cultures.

It also documents an approach that could be drawn upon by other local governments wishing to operate in a more creative and innovative way.

In 2012, Marrickville Council engaged UTS:CLG to partner on the Marrickville Creativity Project, an exploratory research project that focused on three questions:

- Could Council better understand and benefit its creative community by adapting to programs and ways of working informed by the same processes that marked the Marrickville community, i.e. creativity?
- Could Council's local governance processes and outcomes be improved by building the organisation's capacity for creativity?
- What is the current thinking on creativity and its role in the workplace, particularly as applicable to local government?

The project commenced with a literature review that informed the development of a series of 'creativity challenge' workshops. Entitled the Marrickville Creativity Labs, the workshops were conducted with Marrickville Council's executive and management teams between 25 February 2013 and 8 April 2013. Each workshop explored a different aspect of creativity including individual, team, organisational and community contexts. This provided the group with an opportunity to engage with the concept of creativity, an attribute for which Marrickville's local community is regarded, and to consider its potential public administration applications.

The project was evaluated through 'real-time' interviews conducted during the course of the Creativity Labs, a participant findings workshop on the 15 April 2013 and an online participant survey in May 2015.

This report provides details of the project and starts by providing context of the Marrickville local government area as a creative community. The report discusses relevant literature and contextualises the project within current thinking on creativity in communities, organisations and the public sector. Details of the Marrickville Creativity Project are then presented along with project outcomes and learnings and suggestions for future work.

In conceptualising this project, Marrickville Council was cognisant that it had entered into a period of significant change within the New South Wales (NSW) local government sector and within the broader local government industry. The Marrickville Creativity Project provided the organisation with an opportunity to explore new ways of working with creativity, innovation and collaboration to assist it through a period of change that was undefined and emerging.

As a new project for the organisation, the Marrickville Creativity Project presented a number of challenges for the core project team. While it has delivered positive outcomes for the organisation, a number of opportunities to improve the project format, delivery, and content have been evident. These can be summarised as:

- barriers to participation

- resourcing
- program capacity and availability
- organisational commitment.

Time, considered a barrier to participation, was the most common challenge cited, reflecting the literature that time-pressured people struggle with creativity in the workplace.

In the period since the Marrickville Creativity Project concluded, the organisation successfully embedded creativity into its organisational culture, strategic planning and day-to-day working operations. The Creativity Labs provided the participants with a range of tools and ways of thinking that have been seen to foster workplace creativity and have influenced the organisational culture.

Providing the Council's leadership with an opportunity to explore multiple aspects of creativity (individual, team, leadership, organisational and community) has contributed to cultural shifts within the organisation. Shifts in cultural norms, such as a greater tolerance for mistakes, risk and uncertainty, support for change, and collaboration with diverse and effective teams were identified by participants.

There is some evidence that the Marrickville Creativity Labs have also produced innovations benefiting the community, such as the Connecting Marrickville Program. The Council's organisational commitment to creativity continues with the Marrickville Creativity Group that meets monthly and regularly gains attendance of 15 to 20 staff from all Council departments, including executive team members, managers, coordinators and officers. The Council has also identified other opportunities to further embed creativity in the organisation.

The outcomes of the Marrickville Creativity Project have a number of potential implications for the local government sector:

- Councils can improve their performance through incorporating creativity into the culture and operations of their organisation for the benefit of their communities.
- Creativity can assist individuals, teams and organisations to develop innovative, appropriate and effective solutions, in recognition of broader changes impacting the sector and the need to develop organisational capacity to meet these challenges.
- The management of organisational culture to facilitate creativity can contribute to innovation and change processes.
- Creativity can be incorporated as a specific area of staff learning and development, for example through the development of Creativity Labs as a program and toolkit.
- Consideration of time, and how it can be managed to accommodate creativity processes individually, within teams and within the organisation as a whole, requires further investigation.

1 Introduction

1.1 Background and rationale

The Marrickville local government area has long been recognised as a hub of creativity that services and supports the wider Sydney region. Over the past fifteen years, Marrickville Council has supported these communities through a comprehensive range of programs. It has also sought to build on Marrickville's reputation as a leading centre for creativity, balancing in its regulatory, corporate and community service functions to serve the needs of the independent arts community.

Internally, the Council has maintained an organisational culture of ongoing engagement and continuous improvement of services and programs to ensure that community needs are understood and met. It was through this practice of continuous improvement that the project emerged. In recognition of broader changes impacting the sector and the need to develop organisational capacity to meet these challenges, the project was initiated by Marrickville Council's Manager of Culture and Recreation to address the critical success factor 'A Culture of Creativity and Innovation and Collaboration' as part of the organisational performance plan, the 2012-2013 'Marrickville Council Balanced Scorecard'.

Marrickville Creativity Project focused on building leadership capability in creative thinking and collaboration. Specifically, the project sought to understand the role of creativity as a prerequisite to innovation processes in local government and how Marrickville Council might respond to the creativity of its community to deliver better outcomes, in new ways, for the benefit of residents.

While literature on organisational creativity within the corporate sphere was available, information that specifically considered the role of organisational creativity in an Australian local government context was more difficult to find. In response to this lack of readily available information, Council's Culture and Recreation Section prepared a research project brief and engaged UTS: CLG to undertake research into current thinking on creativity and its role in the workplace, particularly as applicable to local government. The brief required that a literature review that identifies success factors and case studies for creativity and innovation in the workplace be undertaken to inform the design, implementation and evaluation of a 'creativity challenge' for Marrickville Council's executive and management teams.

1.2 Objectives

The key objectives of the Marrickville Creativity Project were to gain a better understanding the role of creativity as a prerequisite to innovation in local government and how that understanding could contribute to Marrickville Council delivering better outcomes for its widely acknowledged 'creative community'.

As an exploratory research project, the Marrickville Creativity Project was guided by three questions:

1. Could Council better understand and benefit its creative community by adapting to programs and ways of working informed by the same processes that marked the Marrickville community, i.e. creativity?
2. Could Council's local governance processes and outcomes be improved by building the organisation's capacity for creativity?
3. What is the current thinking on creativity and its role in the workplace, particularly as applicable to local government?

2 Marrickville: A creative community

2.1 Marrickville Local Government Area (LGA)

Within Greater Sydney's total area of 12,138 square kilometres, the Marrickville LGA occupies 17 square kilometres of inner metropolitan space and lies between four and ten kilometres from the city centre. Marrickville is home to approximately 83,350 of Sydney's 4,605,992 residents. Its typically older, inner-city suburbs – Dulwich Hill, Lewisham, Petersham, Marrickville, Stanmore, St Peters, Sydenham, Tempe, Enmore and parts of Newtown and Camperdown – are densely populated, highly urbanised and well connected by public transport. Marrickville's light industrial zones near Sydney International Airport mean that some degree of affordability and large warehouse space has been retained in the local area, and these also house a diverse range of creative industries.

The Cadigal-Wangal people of the Eora nation are the traditional custodians of the area and over the past 200 years, waves of immigration have flowed through Marrickville, which has been considered home to traditionally industrial and working-class residents (Marrickville Council, 2013). More recently, gentrification has substantially influenced the demographics and character of the area, with declining diversity evident. Marrickville has a substantial student population, high numbers of tertiary educated and professionally employed residents and a higher percentage of same-sex couples than Greater Sydney (NIEIR, 2013).

2.2 Creativity in the community

Hospers (2003) identifies the importance of the urban hustle and bustle and other liveability factors in creating a framework of conditions conducive for the creativity of cities to emerge. This is evident in the Marrickville LGA, where a vibrant street life and 'community feel' have long contributed to its reputation as a hub of independent arts and community values. Marrickville has strong artistic communities, enduring cultural venues, a wealth of galleries, studios and festivals, and a diversity of arts education facilities and services (Conroy, 2008).

Statistically, one of Marrickville's notable characteristics is its high arts activity, with the geographically compact area containing one of the highest percentages of artists, cultural workers and arts industries of any LGA in Australia. On the basis that the proportion of people working in a local government area who are employed in the creative arts provides a measure of the direct importance of arts to local economies, Marrickville is the outstanding area in NSW, with the highest arts employment in the State (1.7%) (National Institute of Economic and Industry Research [NIER] 2013: 61).

According to the 2011 Australian Census, 8.2% of the residents are employed as arts and cultural workers in Marrickville, as compared to an average of 5.5% in Greater Sydney. In terms of residents, 11.2% are employed as cultural workers, compared to an average of 5.3% in Greater Sydney, which represents an increase of 111 people between 2006 and 2011.

The predominant industries of occupation include printing, film and video, music and sound recording, design, photography and creative and performing arts and architecture. The number of creative artists, musicians, writers and performers in Marrickville as a workplace compared to Greater Sydney is marked, with 1.2% in Marrickville compared with 0.3% in Greater Sydney. The Australian Business Register, produced by the Australian Government, lists 5,969 creative businesses registered within the Marrickville LGA in March 2015. Marrickville was identified as second highest LGA with a proportion of residents with post school qualifications in society, culture or creative arts (NIEIR, 2013).

A 2008 cultural mapping of Marrickville (Conroy, 2008) recorded 796 entries of creative industries and over 3,000 people living in the LGA who were employed in a cultural occupation. It also pointed to a 106.4% increase between 1986 and 2006 in employment in cultural

occupations. The Conroy report highlights the quirky and often eccentric nature of creative expression in Marrickville. This independent and experimental aspect of local creativity is supported by Council policy, which accommodates support for the arts that fall outside of traditional art forms or notions of arts and culture. It is considered essential to the area's reputation as a hub for independent and emerging art and artists.

The Marrickville area features a number of secondary and tertiary creative education institutions, including the Newtown High School of Performing Arts, Dulwich Hill High School of Visual Arts and Design and the TAFE Design Centre in Enmore that specialises in industrial, jewellery, graphic, interior, event and entertainment design, 3D animation, concept art and illustration. The visual arts are also strongly presented in local galleries, studios spaces and artist run initiatives. Marrickville Council's Open Marrickville Studio Trail event featured 56 art spaces that each hosted around 140 visitors over two days.

The Marrickville Community Survey (2014) shows that residents place increasing value on the provision of arts and cultural facilities and community festivals, events, performances and exhibitions. Approximately 90% of residents feel that there are enough opportunities to participate in arts and cultural activities in the local area. The results also show that approximately 29% of residents participate in cultural or artistic activities at least once a month, with English-only speakers and females more likely to participate.

In 2014, Artshub identified that Marrickville was home to 359 creative and performing arts activities and 26 arts services, making the area one of the busiest for arts and culture in inner Sydney (Nankervis, 2014). The Marrickville area is included as one of the Sydney Fringe Festival's five cultural villages. Marrickville Council supported the establishment of the Sydney Fringe in 2009 to provide independent artists with a platform to build audiences as to provide events and exhibitions within the local government area.

2.3 Marrickville's creative evolution

The Marrickville LGA has been long defined by its cultural diversity. Community values and an acceptance of difference have been embedded in Marrickville's identity over many decades. In the late 19th century, pre-eminent Australian poet Henry Lawson lived in Dulwich Hill, while his mother, Louisa Lawson, lived in Marrickville and was a noted social reformer, feminist and writer at the forefront of the women's rights movement. The banks of the Cooks River were also a common subject matter for artists, including the Symbolist inspired works of Sydney Long who painted his works 'Pan' and 'By tranquil waters' on the riverside.

In the early 20th century, the area was home to notable artists including composer Nigel Butterley, and poet and journalist, Dame Mary Gilmore. The current Enmore Theatre, which opened to the public as a photo-play theatre in 1908, holds a unique position as the longest operating live music venue in NSW. The nearby Hub Theatre opened in 1913 as the Bridge Theatre and was known as a venue for vaudeville; while the Newtown School of Arts, an early 20th century recreation club, now hosts contemporary arts and the Sydney Fringe Festival. The development of Marrickville's community activism continued in the 1930s with the area home to Australia's first female Mayor, Lillian Fowler, who led the old Newtown Council between 1937 and 1939 and built a political career campaigning for better housing, day nurseries, baby clinics and reduced taxes.

Arguably, it was in the latter part of the 20th century that the area became synonymous with community activism, independent thinking and strong community values. The eighties and nineties were a formative time in the creative evolution of the area, as artists and students migrated to Newtown for its affordable old terrace housing, and proximity to Sydney University and the city. The area became a hub for experimental arts and some formative works of street art were painted during this time, including the iconic 'I Have a Dream' street art mural, painted by Andrew Aitken and Juilee Pryor in 1991. Arguably this mural has become the masthead for Marrickville's twenty year-long support of street art. Today, the area is widely recognised for its

large collection of street art, outdoor galleries and the Council's progressive policy approach toward graffiti and street art programs. The Mays Lane outdoor gallery in St Peters was the subject of a ground-breaking exhibition in 2008 by Bathurst Regional Art Gallery that subsequently toured nine regional Australian galleries from 2010 to 2012, and this demonstrates the national impact of this progressive street art policy.

Community festivals such as the Newtown Festival, and community centres such as the Addison Road Centre (Australia's largest community centre) and the Community Art Network also grew rapidly on the basis of community support and attracting visitors from across Sydney. Local theatre companies, such as Sidetrack Theatre were nationally acclaimed for producing multi-lingual, local pieces that reflected Marrickville's migrant stories. The area's strong sense of community is a subject of author Nadia Wheatley's writing, who has based a number of her books on the Marrickville area. Marrickville's literary self was also evident in Enmore's Black Rose Anarchist Library & Social Centre, Gould's Books, Better Read Than Dead and Gleebooks.

Live music flourished in Marrickville's pubs and venues in the eighties and nineties, with groups such as The Whitlams developing national popularity. As live music entered a decline in the late nineties due to the growth of poker machines in venues, Marrickville Council established the Live Music Taskforce to support local music and funded a series of local outdoor concerts aimed at providing opportunities for local bands to perform and develop audiences. In comparison with Sydney as a whole, there is a higher than average presence of music and sound recording activities in Marrickville.

2.4 Marrickville Council: Part of a creative community

Over the past 20 years, Marrickville Council has solidly invested in community services, arts and culture, heritage and the environment, while celebrating diversity and creating a strong brand around its community. Beyond financial sustainability and efficient infrastructure delivery, the Council has embraced its generative role in community, cultural and environmental development, and these have all contributed to creating a place where people want to live.

Marrickville Council has also maintained a proactive role in fostering and supporting local community creativity and activism. In the early 2000s, formative initiatives such as the Marrickville Belonging Project maintained a focus on Marrickville's community values and Council's role in nurturing a sense of community amongst the local residents and businesses. This has been further supported through the Council's annual community festivals and events program.

The Council has a progressive approach to cultural policy, and a comprehensive arts and cultural development program. It provides grants, studio and exhibition spaces and development programs to local creative people. The Council also maintains cultural infrastructure, such as artist residencies, libraries, venues for hire and community meeting rooms. It supports local heritage through a history program, public art and events. In responding to the community value of environmental sustainability, the Council has emerged over the past 19 years as a recognised leader in the field of environmental sustainability through community engagement.

Further support is provided to its village shopping precincts, which are recognised as intrinsic to Marrickville's local culture, where its dining and food produce are highly regarded and original products are sold internationally. Marrickville Council has also recognised the role played by creative industries in establishing the area's unique character and increasing local employment opportunities through the Marrickville Urban Strategy that included an aim to support creative and innovative industries (Marrickville Council, 2007). The Council recognised that creative industries, often operating as start-up micro businesses, are highly sensitive to price increases and that renewal of industrial areas posed a threat to the ability of creative industries to operate as land values increased. The Council attempted to minimise these impacts by identifying ways

in which planning controls could be used to support existing and encourage new creative industries as part of the development of the 'Marrickville Local Environmental Plan 2011'.

In NSW, the Standard Instrument for Local Environmental Plans, while providing a definition for 'industry', did not specifically define creative industries. Accordingly, the Council developed a definition for creative industries, and identified areas suitable for their operations. Once defined, creative industries were identified as an appropriate land use buffer between traditional heavy industrial areas and residential development, and suited to light industrial areas in the Marrickville LGA, which are largely situated adjacent to residential development.

Business Development zones were also identified as a location suitable for live-work enterprises and were considered to have potential in reducing the costs of creative industries, maintaining active street frontages and, where possible, adaptively reusing existing buildings. To ensure that the planning controls were effective, the only business and office uses permitted in the Light Industrial and Business Development zones are those that fit Council's definition of creative industries, as follows:

- Audio-visual, media and digital media
- Advertising
- Craft, visual arts and Indigenous arts
- Design
- Film and television
- Music
- Publishing
- Performing arts
- Cultural heritage institutions.

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3 Literature Review

It is precisely in a world that is becoming increasingly more integrated that cities must lean more and more heavily on their specific local characteristics. These unique locality-based characteristics, indeed, determine that in which a city excels and in which it can distinguish itself in the competition with other urban areas in the worldwide knowledge economy... Today's fierce inter-city competition for knowledge and innovation requires from those involved that they become 'creative cities'.

(Hospers 2003: 145-146)

3.1 Creative communities

Hospers (2003: 144) argues that modern economies are increasingly dependent on knowledge and innovation, and that 'cities are the places par excellence where knowledge, creativity and innovation flourish'. In a world of global markets and high-speed communication, specific localities are becoming more important because competitive advantage lies in 'being distinctive, thinking differently and having different information', all of which enable a community to be creative and innovative (Bradley, 2012: 145).

Krueger and Buckingham (2009: iv-ix) propose that three models of creativity have recently been employed in North American and European cities, namely:

- harnessing the collective economic power of their artistic communities, leading to creative economic development that can occur organically within cities
- attempting to attract creative and artistic people to cities in search of their patronage, including establishing what would make the locality desirable, such as a degree of 'bohemianism' and a 'career buzz'
- rethinking problems based on creative principles such as experimentation, originality, the capacity to rewrite rules, to be unconventional and to look at situations laterally and with flexibility.

Cities derive competitive advantage by attracting and retaining knowledge workers and knowledge-intensive activities. Culture and science flourish in such 'creative cities', which can be birthplaces for new technological developments and which can make use of that creativity to find original solutions to problems such as housing, transport and sustainability (Hospers, 2003: 146-148).

Based on an analysis of successful creative cities throughout the world, Hospers (2003) proposes that the factors that can increase the chances of urban creativity and contribute to an urban knowledge economy include:

- **Concentration** – the density of interaction of large numbers of people in a certain location.
- **Diversity** – diverse knowledge, skills and activities pursued by citizen as well as variations in the image the city projects as far as buildings are concerned.
- **Instability** – a level of crisis or confrontation which often provides the impetus for change.

A key issue for several commentators is that creativity should not only fulfil economic objectives – such as revitalising decaying inner-city areas through promoting local arts development – but also that it should 'engage with social inclusion and environmental sustainability' (Krueger and Buckingham, 2009: iv). This point is also reflected by Landry (2008: 14), who notes that while the term 'creativity' may be overused, environmental and cultural creativity themes are emerging as predominant in relation to urban contexts.

Similarly, drawing on the experiences of small and medium-sized cities throughout the world, the INTELI think-tank (2011) suggests that creative-based strategies are likely to be more sustainable if they capitalise on the distinctive characteristics of places as well as targeting the wellbeing of the population: ‘people are looking for life satisfaction that is not only linked to the economic dimension, but increasingly to the social, cultural and environmental dimensions of life’ (INTELI, 2011: 115).

Seen within this framework, creative places can provide an integrated eco-system where all forms of creativity – artistic and cultural, technological and economic – are able to flourish; and where the qualities of a place, which derive from its particular cultural, social and natural environment, are crucial to its economic base (Bradley, 2012: 147). Places that emphasise ‘community’ are likely to attract and keep the most creative people and organisations, and be the most innovative, since such places will be ‘multi-culturally diverse, fiercely proud and respectful of the past, have a sustainable ethic and be unique’ (Bradley, 2012: 147).

3.2 Workplaces and creativity

3.2.1 The contemporary workplace

Workplaces in the 21st century are experiencing ‘a paradoxical phenomenon of predictability and unpredictability, rapid technological changes, intensified competitive pressures, unprecedented emphasis on knowledge management, and uncertainty and chaos’ (Armson, 2008: 20). Organisational changes require dramatic changes in management style, technology, strategy and working systems, and require an in-depth analysis of the values and behaviour patterns that guide everyday performance (Martins and Martins, 2002: 58).

Successful adaptation to change can promote and intensify the organisation’s competitiveness. Creativity and innovation have a role in this change process, and several authors (see e.g. Gahan, Minahan and Glow, 2007; Sutton, 2001; Jaussi and Dionne, 2003; Martins and Martins, 2002) point to a growing interest in facilitating creativity in the workplace as an important means of responding to the challenges of the modern era.

3.2.2 Role of creativity in the contemporary workplace

Creativity can be understood as ‘the production of novel and useful ideas in any domain...the product or idea cannot be merely different for difference’s sake; it must also be appropriate to the goal at hand, correct, valuable or expressive of meaning’ (Amabile, 1996: 1).

Writers such as Amabile (1996) and Healy (2004) make strong links between ‘creativity’ and ‘innovation’, often viewing creativity by individuals and teams as a starting point for innovation in organisations. In this sense, innovation is the ‘successful implementation of creative ideas within an organisation’, which is dependent not only on creative ideas that originate within the organisation, but also on ideas that originate elsewhere (Amabile, 1996: 1).

Strand (2011) suggests that there are three longstanding ‘metaphors of creativity’ that continue to be relevant for modern workplaces. These are described in Box 1.

BOX 1: METAPHORS OF CREATIVITY IN THE WORKPLACE

Metaphor of creativity	Discussion
Creativity as expression	Creativity can be viewed as collective forms of self-expression that occur in and through everyday work. This metaphor suggests that creativity is the dynamic vitality of all human activity, driving our working life and being at the heart of educational processes, including workplace learning. The limitation of this metaphor is that it does not portray the specific dynamics of creation beyond saying that creation actually happens.

Creativity as production	Creativity is the concrete act of bringing forward something quite new into the world through the object-related activities of human labour. Through individual labour, each individual confirms and realises their communal, social nature. A product of human labour is also a productive society.
Creativity as reconstruction	The creative act is a reconstruction that affects our ways of seeing the world, our ways of making the world and the ways of the world themselves. The metaphor is of creativity as reconstruction in terms of a radical remaking of our common sense. This metaphor may help to illustrate how the shifts within contemporary work life are closely related to the ways in which the global and the local unavoidably interact and help to portray the creative ways of contemporary professional work and learning.

Source: based on Strand (2011: 344-352)

While all three metaphors help to illustrate what is happening within and beyond working life, 'creativity as reconstruction opens possibilities for conceptualizing the shifts within contemporary work life as **creative** shifts generated by and parallel to the extraordinary newness of the phase of the global knowledge economy we are now experiencing' (Strand, 2011: 353; emphasis in original). Creativity can be viewed as a form of 'emergent learning' which is supported by strong two-way communications between leaders and staff; willing peer discussions; ready access to training programs; organisational structure and resources; and the individual's own initiative and motivation (Armson, 2008: 21). The relationship between the processes of creativity, innovation and change is an essential feature of the contemporary organisation (Dawson and Andriopolous, 2014: 45).

At a more critical level, Gahan et al (2007) point out that when the concept of creativity is appropriated from the creative arts and applied to the workplace, it may be diluted and devalued, since it 'it underwrites an ethos of individualism and self-direction, and seems to hold out the promise of transforming the mundane nature of work into something exciting and intrinsically valuable'. By contrast, McNuff (2009: 12-13) argues that although many people may dismiss the idea of linking creativity and organisational life, the workplace, imbued as it is with a striving for productivity, and perhaps also with a focus on uniformity, hierarchy and control, nevertheless offers common ground for creating with others since 'it connects us all'.

3.2.3 Understanding workplace creativity

Dawson and Andriopolous (2014) trace the history of research on creativity and note that different disciplines such as psychology, economics, sociology and organisational and management theories, using different approaches, have produced different definitions of creativity including:

- Creativity as an emotional process, producing feeling.
- Creativity as a mental ability.
- Creativity as a process, a view gaining widespread acceptance.

(Dawson and Andriopolous, 2014: 60-61)

The contemporary approach to research into creativity assumes that all people are able to produce at least moderately creative work in some domain, some of the time (Chan, 2005: 2), and that complex interaction of an individual and their social environment can influence the level and the frequency of creative behaviour (Amabile, 1996: 1; Dawson and Andriopolous, 2014: 231). According to Mumford (2000: 314-318), research on workplace creativity highlights three considerations, namely:

- **Knowledge** – the production of useful new ideas or ideas that can be implemented to solve a novel problem;

- **Process** – the combination and reorganisation of information and concepts to advance new understandings, and using them to generate potentially useful new ideas; and
- **Work styles** – including strong achievement motives, self-confidence, the tolerance for ambiguity, an interest in learning, openness, and flexibility.

Creativity at the level of the individual employee

From an individual point of view, Amabile (cited in Amabile and Pillmer, 2012: 9) has proposed a comprehensive theory of creativity that includes three individual or personal components:

- **Domain-relevant skills**, that is, the expertise, technical skill, and innate talent in the relevant domain(s) of endeavour.
- **Creativity-relevant processes**, such as a flexible cognitive style, personality traits such as openness to experience, and a persistent work style.
- **Intrinsic task motivation.**

These components combine in a multiplicative fashion, and none can be completely absent if some level of creativity is to result (Amabile and Pillmer, 2012: 9). In addition, these internal components interact with, and are influenced by, an external component, namely the **social environment**. While creativity-relevant skills can be affected by training, modelling, and the experiences afforded by the social environment, the most immediate and prevalent influence of the environment is exerted on motivation (Amabile and Pillmer, 2012: 9).

The lack of intrinsic task motivation cannot be compensated by the domain-relevant or creativity-relevant skills, implying that a high level of intrinsic motivation is necessary for employee creativity (Grabner, 2007: 4). According to Csíkszentmihályi (1997: 8), creative people are driven by the opportunity to do the work that they enjoy doing. Research carried out at the Harvard Business School has found that creative people are motivated from within and respond much better to intrinsic rewards than to extrinsic ones (Florida and Goodnight, 2005: 2).

In addition to motivation, Dawson and Andriopolous (2014) describe individual creativity as comprising three other main components, reflective of Amabile's research, including:

- Cognitive style and abilities, such as the ability to make links between remote connections, suspend judgment, awareness of bias, originality of thinking;
- Personality traits that include risk-taking, self-confidence, autonomy, non-conformism, pro-activity, tolerance of ambiguity, need for achievement; and
- Relevant knowledge, i.e. subject understanding and insight, formal and informal knowledge, and inquisitiveness.

Creativity at the level of the organisation

Elements of the work environment have a powerful impact on the creativity of individuals (Grabner, 2007). The basic orientation of the organisation towards innovation is a key influence. This includes placing value on creativity and innovation in general, an orientation toward risk, sense of pride in the organisation's members, and a strategy of taking the lead toward the future. The basic organisation-wide supports for innovation may include open, active communication of information and ideas, reward and recognition for creative work, and fair evaluation of all work, including work that might be perceived as a failure (Amabile, 1996: 8).

Employees are more likely to act creatively when creativity is recognised as being needed and valued by the organisation (Manske and Davis, cited in Dawson and Andriopolous, 2014: 234). The role of organisational culture in creativity and innovation is also highlighted by Prather (2010: 142) who notes that 'to make innovation self-sustaining, it must become one of your company's values, rooted in its beliefs about itself and its business'. Dawson and Andriopolous

(2014) and Prather (2010) identify additional important aspects of organisational culture including trust, freedom to act, acceptance of risk, and leadership.

The importance of workplace or organisational culture is highlighted in contemporary research. Dawson and Andriopolous (2014: 354) contend that culture is learned – individuals entering organisations undergo a socialisation process, taking cues from both formal/explicit and informal/implicit learning situations. Principles that promote creative cultures include a collaborative approach to management, a ‘no fear’ climate, encouragement of the workforce to stretch beyond their comfort zones, and the valuing of individuality and encouragement of uncertainty (Dawson and Andriopolous, 2014). Time is an important factor related to organisational culture and creativity, with intrinsically motivated people more likely to devote time and energy to creative tasks and commentators arguing for skills development and making space for the experience of ‘task immersion’ that can lead to a new focus in daily work practices (Dawson and Andriopolous, 2014).

Norms within the organisation that promote creativity and innovation, and norms that support implementation are illustrated in Figure 1.

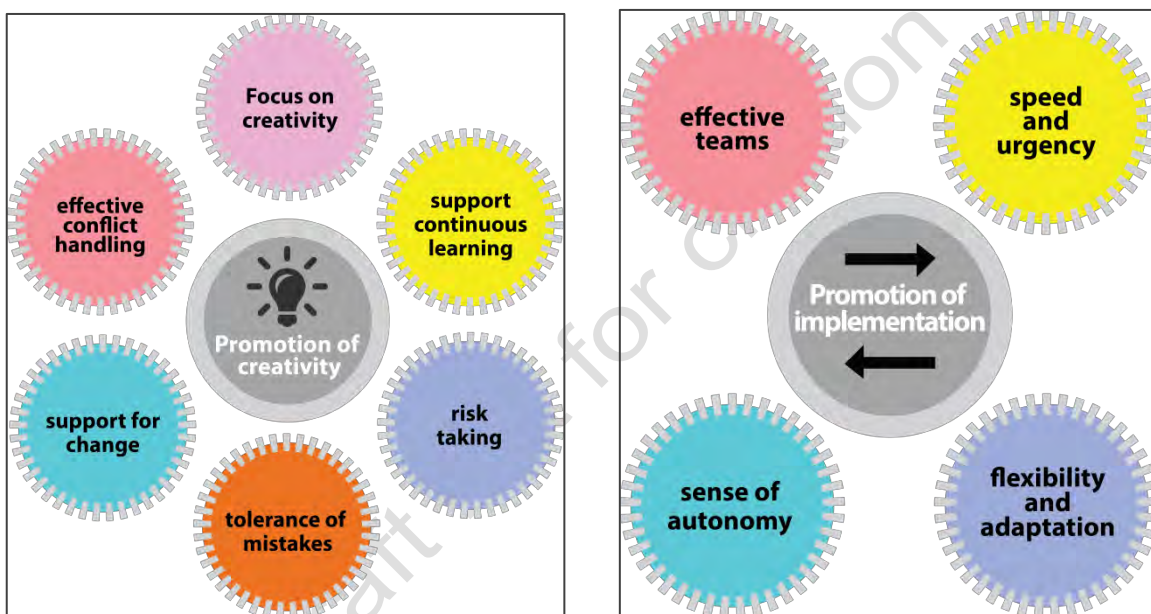


FIGURE 1: PROMOTION OF CREATIVITY AND ITS IMPLEMENTATION

Source: based on Dawson and Andriopolous (2014: 357-362)

Phillips (cited in Hoque and Baer, 2014) describes contemporary business as overly focused on a narrow definition of ‘efficiency’, leading to a distortion of the perception of time and the availability of time for proper practices for good innovation. These authors describe the need for organisations to shift the thinking towards operating in an ‘innovation economy’ rather than an ‘efficiency economy’. They write: ‘Clearly, we need to be privileging that question-framing process, which has a rhythm of introspection and collaboration, throughout our process’ (Hoque and Baer, 2014: 68).

Amabile et al (2002: 4, 14) found in a longitudinal study that time pressure is likely to result in ‘shallow, narrow, conservative thinking – the opposite of creative thinking’ and that ‘despite previous research revealing that time-pressured people may work faster, get more done, and do better work on straightforward tasks, our findings suggest that they will be less likely to think creatively on the job.’

Teams and leaders

Creativity as a team process is receiving some attention from authors. Dawson and Andriopolous (2014) highlight the importance of the relational aspects of the workplace in bringing about innovation. Daniel and Dawson (cited in Dawson and Andriopolous 2014: 71) found in an Australian study that the uptake and integration of innovations was reliant on micro politics, sense making and stakeholder networks. Hoque and Baer (2014: 71) argue that it is the quality of interpersonal connections that determine the success of teams. Creativity is fostered when individuals and teams have high levels of autonomy, ownership and control within their daily work practices (Amabile, cited in Dawson and Andriopolous, 2014: 246).

Leadership is another factor that most authors agree can impact significantly on organisational creativity (Dawson and Andriopolous, 2014, Hoque and Baer, 2014, McNuff, 2009, Amabile, 2008, Armson, 2008, Bhindi, 2003). Teams need to perceive leaders as supporting creativity in order for it not be stifled (Thacker, cited in Dawson and Andriopolous, 2014: 280). Dawson and Andriopolous (2014) distil much of this literature to present a number of elements required in leadership to positively affect creativity, innovation and change in organisations:

- Expertise and technical skills in creative problem solving
- Creating and articulating vision
- Setting direction
- Persuasive abilities and skills
- Communication and information exchange
- Intellectual stimulation
- Involvement
- Autonomy.

3.3 Creativity in local government

3.3.1 Innovation in the public sector as a whole

According to conventional wisdom, public organisations cannot innovate. Bureaucracies lack the competitive spur that drives businesses to create new products and services.

(Mulgan, 2007: 4)

While the literature is more likely to refer to innovation rather than creativity in the public sector, as discussed in section 3.2, creativity can be considered the necessary basis of innovation. Landry (2008: 15-17) writes that creativity is the precondition from which innovations develop. Different types of creativity are required to produce public sector innovations, but it remains a poorly understood area, with dimensions such as social, cultural and environmental creativity undervalued. There is evidence, however, that there has been recent growth in academic interest in public sector innovation as a whole. Based on a review of the literature published between 1971 and 2008, Matthews, Lewis and Cook (2009: 13-14) found that nearly 70% of the cumulative total number of articles that examined public sector innovation had been published since 2003. A suggested taxonomy of public sector innovation comprises:

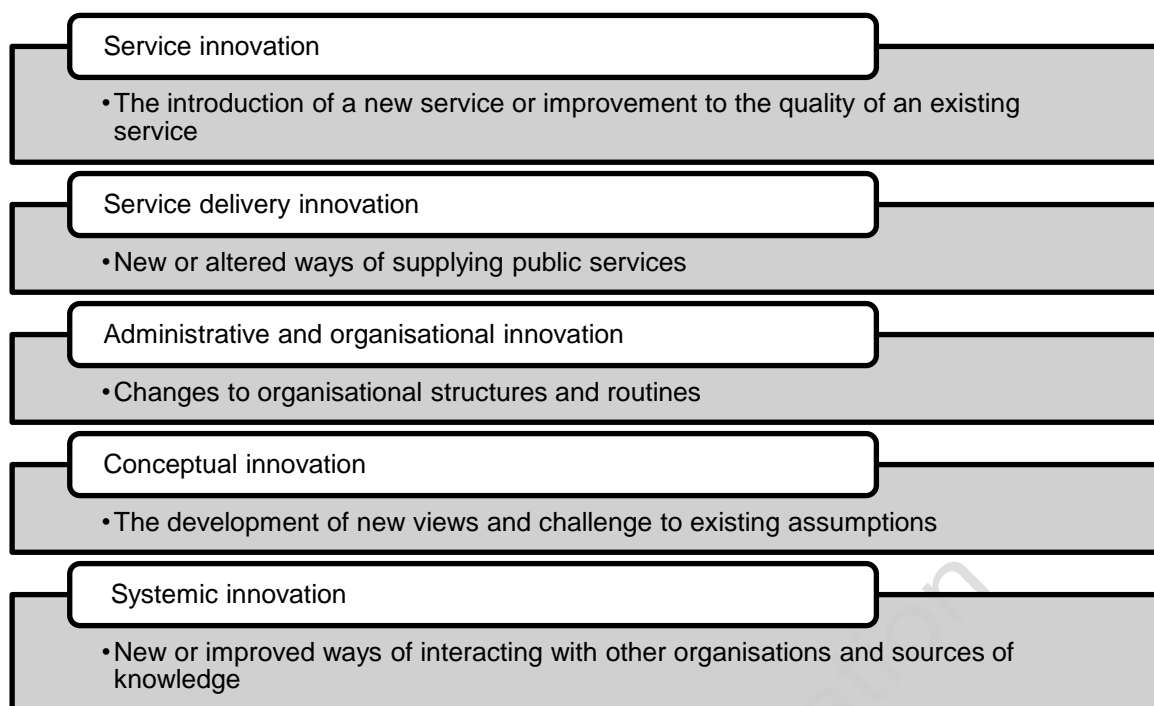


FIGURE 2: PUBLIC SERVICE INNOVATION

Source: based on Windrum (cited in Matthews et al, 2009: 22)

Researchers such as Mulgan (2007: 6-9) point to a distinguishing characteristic of public sector innovation – it is about novel ideas that work at creating public value. In order to be successful, these ideas need to be supported by the two groups of gatekeepers who control power and money, namely politicians and the bureaucracy. At the same time, the relationship between innovation potential and employee resources is also important in achieving long-lasting change (Patterson, Kerrin and Gatto-Roissard, 2009).

Employee resources for innovation include cognitive ability; employees' understandings of the domain-specific requirements of the job role; high levels of motivation, which are significantly influenced by leadership and management style; personality traits (particularly openness to experience); and emotional, behavioural and developmental factors such as mood-induced self-reflection, taking personal initiative and taking advantage of educational opportunities (Patterson et al 2009: 9-15).

A challenge for public sector managers is how to implement innovation that results in useful performance improvements. Changing existing systems and moving into often unknown territory is by its very nature risky and uncertain (Matthews 2009), but well-managed innovation programs can achieve new ways of working that are genuine improvements on existing systems (Mazzarol, 2011: 6). Landry (2008: 14-15) argues that in order for the public sector creativity to be of benefit, the symbiotic relationship between the organisation and the individual must be recognised. Creative processes should not be confined to the idea-generation phase of projects; instead they should be present throughout the entire project if creative and innovation outcomes are to be delivered.

Drawing on the work of Borins, Mazzarol (2011: 6-7) identifies five key building blocks of innovation within government:

- The use of systematic analysis of problems and the coordination of organisational units to achieve outcomes.
- The use of information and communications technologies.

- Continuous monitoring of how innovation programs are performing against desired benchmarks.
- Opening up to the private and non-profit sectors in the delivery of services in order to inject greater competition into service delivery.
- Empowering local communities and employees in order to engage them in the design of new programs.

Some aspects of public sector innovation are comparable with, or even identical to, aspects of private sector innovation, including those dealing with information and communication technologies. Other aspects of public sector innovation, especially those associated with policy innovation, can appear cumbersome, risk averse and time consuming in comparison with those occurring in the private sector (Australian National Audit Office [ANAO], 2009: 3).

Governments need to deal with uncertainties and risks that may lead to unintended consequences 'that are far too severe to rely on the market to correct problems, as in the private sector' (Matthews 2009: 62). This makes it incumbent on them to draw heavily on external and internal expertise to weigh up complex risks, which generally requires the use of large amounts of evidence (Matthews 2009: 61).

3.3.2 Creativity and innovation in local government

In recent years, several factors have been prompting local governments to reconsider the ways in which they organise themselves, manage service delivery and hold themselves accountable to citizens and other stakeholders. These include:

- Unexpected successes, failures or events, with local government innovations that have quite often emerged in response to emergencies;
- Demographic changes, such as a growing proportion of people aged 65 years or over, and increases in the numbers of unemployed youth;
- Community expectations regarding local public services, with an increasing focus on public value or social return on investment;
- Community attitudes towards local government, including citizen engagement in policy and delivery, and significant changes in community perceptions and moods linked to factors such as access to services; and
- Central government expectations of local government, including recognition that each region and community has unique characteristics, opportunities and challenges, requiring tailored policy responses.

(Howard, 2012; Evans, Aulich, Howard, Peterson and Reid, 2012)

Healy (2004: 17) points out that the processes and cultures of local governance cannot easily be changed by formulas – such as 'modernising' agendas – but rather that they need to be developed on the basis of a 'rich understanding of the specific dynamics and history of a city region's institutions of governance'. The success or failure of public sector innovation strategies requires a redefinition of urban problems and that this best achieved at the grassroots level through diverse local participation (Landry 2008: 19). On this basis, the factors that may help to enhance creativity include:

- understanding how innovatory episodes interact and struggle with other discourses and practices that are active in the locality at the same time
- mobilising like-minded key actors who can drive forward new discourses and act as carriers of ideas that may later diffuse more widely
- having a locally relevant and long-term training program for all 'street level' and 'front end' staff to make sure that new ideas translate into different practices

- focusing on the interaction of internal and external forces and their impact on governance processes
- focusing on the relations between elected and non-elected officials, which may involve repairing them, breaking them up or working outside of them.

(Healy, 2004: 17-18)

Martin (2000) suggests that the way local governments innovate and change has a strong impact on local economic and community development. Councils do not have to have invented a new product or service in order to be considered innovative. Instead, innovation often lies in recognising the application of an improvement that leads to sustained economic and community benefit, and implementing it in the organisation. As discussed above, cities that are part of the global information-based economy are marked by the convergence of knowledge, creativity and innovation, and local governments have a role to play in creating and reinforcing conditions favourable to knowledge economies such as concentration, diversity, instability and reputation (Hospers, 2003).

Drawing on Martin (2000: 5-13), innovation strategies that are suited to local government are described in Figure 3:



FIGURE 3: INNOVATION STRATEGIES SUITED TO LOCAL GOVERNMENT

Source: based on Martin (2000)

Writing of the situation in Australia, Brecknock (2000) suggests that local government is the most significant player in a community's cultural life. Decisions made by councils may have 'far reaching consequences on the quality of life and cultural development at a local level', and these are in respect not only of 'big ticket' items such as the funding of new art galleries, but also decisions that affect a local park, plaza or shopping strip (Brecknock, 2000).

Healy (2004) explores the relationship between creativity and innovation, and the forms and practices of governance. This author focuses on the potential of governance to foster creativity at the local socio-economic level and argues that there is no simple equation between the characteristics of a 'creative city' and a 'creative' mode of urban governance. Instead, qualities of governance activity can be identified that have the potential to encourage creativity and innovation (Healy 2004: 11-12). These include:

- **Governance culture** – an appreciation of diversity and an emphasis on performance, not conformance; negotiation of values and ethics; encouragement of open-minded tolerance and sensitivity; and self-regulative and distributive approaches.
- **Governance processes** – open-minded, inclusive and inventive discourses; facilitative and experimental practices which support self-regulating processes; and laws, benchmarks and principles which value local initiative and encourage experimentation.
- **Specific episodes** – stimulating, welcoming, respectful and knowledgeable episodes involving a diverse range of actors and open and diverse arenas.

(Healy 2004: 17)

3.4 Good practice examples

3.4.1 Examples from Australia

Based on an analysis of local governments in Australia, including review of the *National Local Awards*, Howard (2012) puts forward recommendations for the adoption of new ideas in local governments, together with recent examples, summarised in the table below.

TABLE 1: INNOVATION IDEAS FOR LOCAL GOVERNMENT IN AUSTRALIA

Functional area	Innovation	Example
Public asset management	Using the geographic information system (GIS), global positioning system (GPS) and other digital technologies to manage asset portfolios	Moonee Valley City Council (Victoria) has developed a handheld, GIS-based road inspection system that uses GPS technology to electronically capture road and footpath hazards with a high spatial accuracy. Information collected in the field is automatically uploaded to a corporate work order system and sent to Council's road and footpath works contractors for action.
Water, sewerage and drainage	Broadening the approach to meeting a local environmental issue in order to encompass a regional perspective	Clarence City Council (Tasmania) decommissioned four old sewage treatment plants and consolidated treatment into one modern technology plant delivering high quality irrigation water to an entire region that encompasses Tasmania's principal oyster growing areas and allows 100% reuse in a region suffering ongoing water shortages.
Waste management	Using radio frequency identification (RFID) technologies to improve the accuracy and cost-effectiveness of waste management collections	The City of Ryde (NSW) tags each of the 90,000 waste bins in the local council. The tags are automatically read as bins are emptied and information is transferred via a wireless link to base. This enables fast and accurate bin reading, the assessment of recycling trends in specific areas, and the identification of suburbs to target in education campaigns.

Economic development	Innovative approaches to support local economic development, including active solicitation of investment, business incubation and provision of information	The Sutherland Shire Council (NSW) invested in a 'business incubator', namely a purpose built space with 20 offices with a sophisticated IT platform that delivers tenants superior networked technology services. Four local councils in south east Melbourne collaborated with local research institutions (including Monash University and the CSIRO) to form an innovation precinct that would be a hub of manufacturing, science services, advanced materials, engineering and medical knowledge-intensive industries. Businesses are provided with access to cutting edge research and opportunities to build collaborative business-researcher relationships.
Community sports, recreation and the arts	Innovation outcomes in the provision of community facilities and services	'Face to Face', a three-year community arts project managed by the City of Greater Dandenong (Victoria) and ten community agencies, captures everyday life in a highly diverse urban community by providing a window into the lives, opinions and passions of the community through a range of creative outlets. The project brings different cultural groups together to expose and move them towards resolving issues of intolerance and discrimination through building trust, pride, respect and understanding.

Source: Howard (2012: 68-88)

3.4.2 'Creative Councils' (United Kingdom)

In the wake of cuts to local government finance, public services in the United Kingdom (UK) are facing increasingly complex demands with fewer funds to tackle them. 'Creative Councils' was launched as a program in 2011 to support local authorities in England and Wales to develop and implement ideas that address long-term challenges in their areas and highlight the role that innovation can play in solving them (Local Government Association, 2012; NESTA, 2013).

While over one-third of all the local authorities in England and Wales applied to receive support through the Creative Councils program to put their innovative ideas into practice, only 17 were chosen to take part in the program. These local authorities received support from the National Endowment for Science, Technology and the Arts (NESTA) a non-government organisation focusing on innovation, as well as the Local Government Association to develop, implement and spread transformational new approaches to meeting challenges facing communities and local services.

The second phase aimed to build on ideas that would have the potential to spread to other councils, by providing up to £150,000 in follow-on funding as well as non-financial support such as legal advice and support with community engagement. Six councils were chosen to receive this more intensive level of support in the second phase of the Creative Councils program. The creative programs of these councils include:

- an internal training program which seeks to introduce council employees to the concept of innovation and what it means for service delivery

- a council-backed social enterprise that works with the teachers of students aged 4-19 to engage them and their schools in the development of an enterprise-based curriculum
- a technology platform and open innovation approach which makes it easier for local communities to put forward creative ideas
- pushing the boundaries of energy regulation and localism by moving towards local ownership of energy supply and reimagining the role of the council as a strategic broker of resources.

3.4.3 The 311 phone service

The 311 phone service was started in Baltimore as a means to improve complaint and inquiry services, and soon spread to other cities in the USA and dozens of other cities around the world (Matthews et al., 2009: 46). The service offers an immediate response via a software system which directs the issue to the appropriate agency and then logs, tracks and monitors the inquiry to the end. The inquirer speaks to a live person within the seconds of placing the call, is given an email acknowledgment of the call, and is provided with a tracking number to go online anytime to see if the issue has been fixed and who is working on the complaint.

The process facilitates citizens' reporting of quality-of-life issues and helps to improve services. For example, since the program was launched, New York City had a 94% increase in 'excessive noise inspections', rodent exterminations increased by more than a third, and the waiting time for the building review process with an inspector improved from more than a month to less than a week (Matthews et al., 2009: 46).

3.4.4 Cultural activities development project in the cities of Finland

The Association of Finnish Local and Regional Authorities launched a project in 2007 to help towns and cities in Finland to better manage their cultural policy activities (Alasuutari, 2013). Altogether 23 towns and cities participated by using a management tool through which to observe the costs and effects of cultural activities and to compare them with the same figures in other towns and cities.

Drawing on the ways in which the project was discussed in the media, Alasuutari (2013: 103) found that competition amongst the cities was highlighted in media reports, and that local actors capitalise on the comparison for their political goals and power play. This strengthened a local viewpoint on the whole process, drawing on residents' identification with their local domicile and the idea that local governments and their citizens are members of a team that has to do well in global competition.

3.5 Summary

Cities derive competitive advantage by attracting and retaining knowledge workers and knowledge-intensive activities. Creativity is a resource that can be used in order to enhance local economic development; to rethink problems based on creative principles such as experimentation, originality, the capacity to reconsider unworkable rules, to be unconventional and to look at situations laterally and with flexibility; and to better engage with social inclusion, culture and environmental sustainability.

At the organisational level, authors make strong links between 'creativity' and 'innovation', often viewing creativity by individuals and teams as a starting point for innovation in organisations. Innovation is the successful implementation of creative ideas within an organisation, which is dependent not only on ideas that originate within the organisation, but also on ideas that originate elsewhere. A focus on workplace creativity can include collective forms of self-expression that occur in and through everyday work; concrete acts of bringing forward something new into the world; and new approaches to viewing the ways of the world.

Individual or personal components of creativity include intrinsic task motivation, creativity-relevant processes and domain-relevant skills. An organisation's capacity to manage the

interrelationship of individual and organisational creativity and impact of organisational culture, specifically around values, systems and processes and time, is likely to affect its success in supporting creativity and innovation.

The literature is more likely to refer to innovation (rather than creativity) in the public sector, although creativity is regarded by many commentators as the necessary basis of innovation. Creativity refers to the production of novel and useful ideas in any domain, where the product is appropriate to the goal at hand, correct, valuable or expressive of meaning. Public sector innovation comprises service, service delivery, administrative and organisational, conceptual, policy and systemic innovation.

In recent years, several drivers have been prompting local governments to reconsider the ways in which they organise themselves, manage service delivery and hold themselves accountable to citizens and other stakeholders. The ways in which local governments innovate and change have a strong impact on local economic and community development. Councils do not have to have invented a new product or service in order to be considered innovative; instead, their innovations can lie in recognising the application of an improvement that leads to sustained economic and community benefit, and implementing it in the organisation.

Commentators also suggest that local government is the most significant player in a community's cultural life and that decisions made by councils may have far reaching consequences on quality of life and cultural development at a local level.

Examples from Australia and international jurisdictions of ways in which innovation and creativity have manifested in local governments suggest that creativity can have impacts not only on areas such as community sports, recreation and the arts, but also on economic development, the management of public assets, energy regulation and more effective means of communicating with citizens and improving customer services.

4 Marrickville Creativity Project

The Marrickville Creativity Project was first defined in its project brief as comprising:

- A literature review, identifying success factors and case studies for creativity and innovation in the workplace, to inform the design, implementation and evaluation of a 'creativity challenge'.
- The implementation of the creativity challenge with Council's executive and management teams, who would participate in a series of workshops in order to explore the concept of creativity in the workplace.
- A final project report evaluating the outcomes of project.

UTS:CLG was selected as Council's project partner and a core project team was established including Sophi Bruce, Program Specialist, and Geraldine O'Connor, Senior Programs Officer, from UTS:CLG; and Josephine Bennett, Manager Culture and Recreation, and Naomi Bower, Arts and Cultural Development Coordinator, from Marrickville Council.

4.1 Marrickville Creativity Project Literature Review

Staff from UTS:CLG undertook the literature review in late 2012 and early 2013, with input also from Council staff. The review comprised a broad range of literature. Several themes relevant to the proposed creativity challenge emerged, as described in Figure 4.



FIGURE 4: MARRICKVILLE CREATIVITY LABS LITERATURE REVIEW SUMMARY

4.2 Creativity Labs

In devising the creativity challenge, the core project team considered the literature and developed the format and content of the creativity challenge, which was renamed as the 'Creativity Labs' to emphasise the exploratory nature of the project. As one participant remarked, '...the openness and the honesty of the first session, I was surprised the facilitators indicated that they knew no more than us, they were learning along with us. I found that quite refreshing' (O'Connor and Bruce, 2013). The Council's General Manager was briefed and it was agreed to proceed with the implementation of the Creativity Labs with the executive and management teams.

The Creativity Labs were developed around a conceptual framework prepared by UTS: CLG, presented in Figure 5.

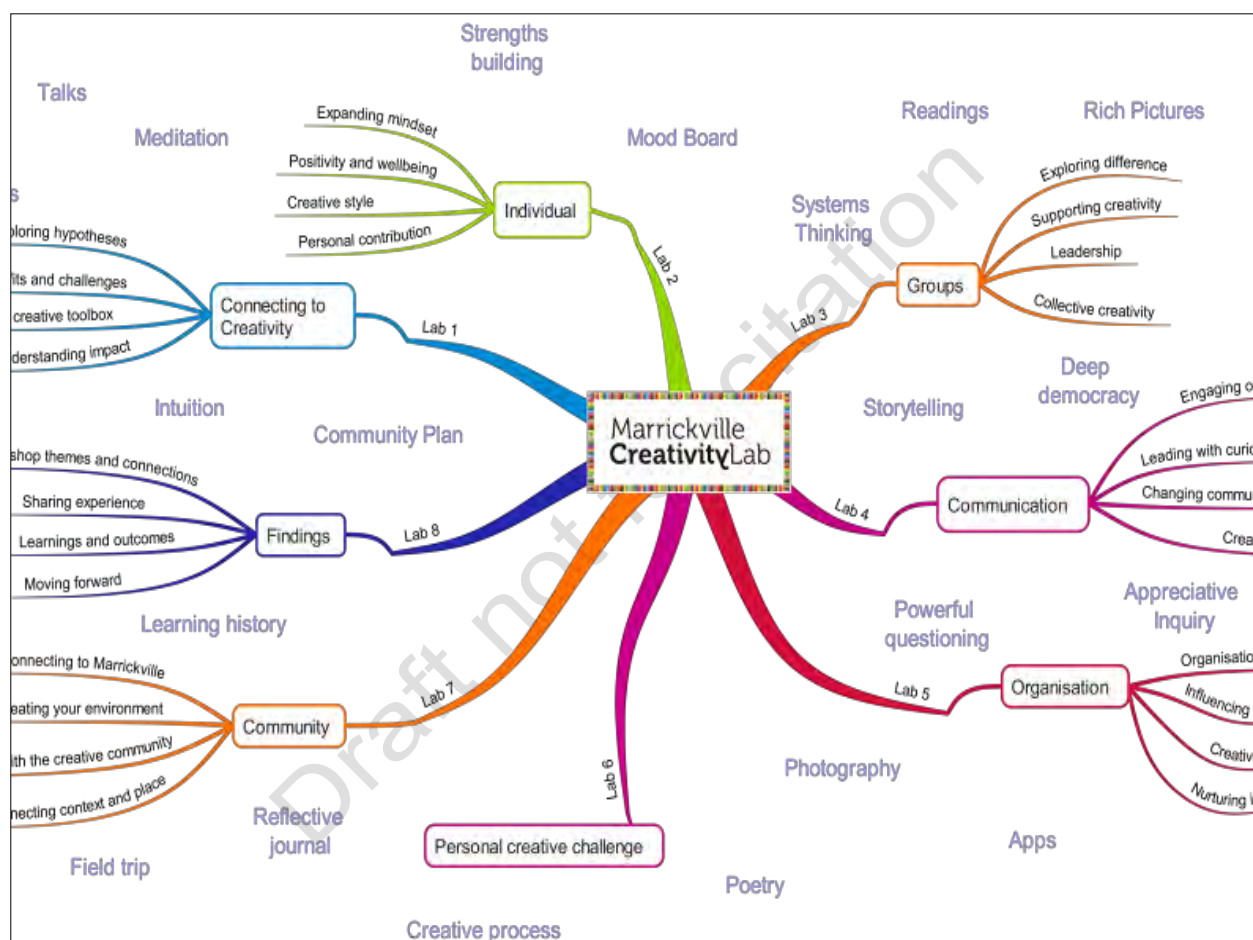


FIGURE 5: MARRICKVILLE CRATIVITY LABS MIND MAP (BRUCE, 2013)

The core project team used the conceptual framework to develop eight workshops, with each workshop focusing on a different aspect of creativity. There was some fluidity in the program, with the content emerging over the eight-week period and as presenters accepted the invitation to be part of it. A full program of the Labs is presented in Appendix A.

The Council's executive and senior management teams, comprising 20 staff, were invited to participate in the program. Attendance at the Labs was variable, with key reasons given for non-attendance being timing, conflicting work priorities and planned leave. Four team members had chosen to not participate in the program, with the key reasons being that they didn't see personal value in it, and that they had inflexible schedules due to work commitments. In the two years since the Labs occurred, two participants have died, and four have moved to other employment.

Before each Lab, participants received a Creativity Lab Overview that detailed the content for the upcoming workshop and a Creativity Toolbox, which contained supporting material – relevant articles (largely informed by the literature review) and links to videos, websites and apps that supported each session’s topic. Participants’ use of the Toolbox was at their discretion. At the beginning of each Lab, the participants were also presented with a ‘hypothesis’ to be considered during the session, as follows:

TABLE 2: CREATIVITY LAB HYPOTHESES

Lab	Theme	Hypothesis
Lab 1	Connecting to Creativity	We are all creative
Lab 2	Creativity and the Individual	Time must be allocated
Lab 3	Creativity and the Group	Certain tools can support group creativity
Lab 4	Creativity and Communication	Creative techniques can lead to more effective communication
Lab 5	Creativity and the Organisation	Leaders that contribute to work environments that support creativity are more effective
Lab 6	Out of Your Comfort Zone, In Your Comfort Zone	There was no specific hypothesis this session - focus on consideration of place over the Easter break
Lab 7	Creativity and the Community: Connecting to Place and Environment	Connecting to Marrickville as a creative community can assist with work-related problem solving

4.3 Project evaluation

4.3.1 Learning History approach

The Labs placed an emphasis on the Council’s leadership team exploring what creativity meant for them as individuals, team members, leaders, for the organisation as a whole. They were also encouraged to explore how this might relate to the Marrickville community. Participants were encouraged to monitor how focusing on creativity might filter through and impact on their relationships, their work, the community and on life generally.

A ‘learning history’ approach was used to capture the emergent learning throughout the program. At the first Lab, the participants were issued with a blank page diary and were encouraged to make notes of ideas, thoughts and questions, and create ‘mood boards’ on relevant subject matter. Short interviews were conducted with participants throughout the Labs, either at the end of workshops or between sessions (by phone or face to face meetings) in order to record their perceptions, stories and attitudes to creativity and the format of the Labs.

Verbatim participant feedback is provided next:

Appreciation of the exploratory nature of the Creativity Labs:

“It’s clear that this is a working trial, it’s not something that is a polished product that they are wheeling out to us. It’s very much being developed as it goes. And that was made clear to us at the beginning. And that helps too with understanding what we are trying to get out of it, and what the people who are hosting it are trying to get out of it as well.”

“At this point in time, I’m...it’s a little bit like our Leadership Development Program. Last year I was more set on, OK, well what have we identified as a core issue in the organisation and what are the steps we have taken to make those changes. And I’ve stepped back from that, and from my own personal perspective, I’m gaining something out of this. I’m not quite sure what the end of the journey is on this. But I’m happy to go on the ride. It’s not quite clear what the outcome will be for us as an organisation. Particularly as we don’t have full representation in this group. I’ve mentioned this to [colleague], the challenge will be that we will have different conversations within the same organisation. Some will be advocates of these approaches, and some less so. And I don’t know how we are going to get over that as an organisation.”

Awareness of individual creativity and links to the workplace:

“I’m personally getting a lot out of it. There are some really good techniques that I’m interested in, and have had an interest in prior to this journey. So some of what we are learning is reinforcing things that I was aware of. The positive psychology element was really interesting, I found that really good. Even some of the stuff around the mindfulness techniques I found really interesting....We just have to synthesise it and look at what potentially could work for you and how you operate. And really explore them a bit deeper.”

“I think – the one on Monday was kind of interesting about just trying to think about things in such a logical, familiar way. For instance for me, from a comms background, you tend to think about things in words, and Monday was interesting because we had to try and step away from that and try and think about things in a different way. Which I thought was interesting. I can see that I can use some of the tools.”

“My greatest benefit is personal reasons rather work related. A lot of the stuff we’re doing I find is more about personal development – finding it difficult to apply in the workplace scenario, particularly in areas like ours – so much dominated by operational, just general day to day operational stuff. Which gets to me sometimes. But that creative side, I try and do that out of here.”

“And I think the rest of it so far has just been about reinforcing some of the things I already knew. We were asked to do the VIA strengths assessment and actually creativity was my number two strength, so I think it’s not that difficult for me, but having some tools to apply in the workplace with my team, that’s been useful, so yeah we are starting to get a few tools, a few ideas that I will use. I just need to make myself some time to really think, to reflect on what we’ve done so far. And some way of sharing that with the team as well.”

Acknowledgement of creativity as a component of their work role and, specifically, in local government:

“Well I don’t know whether we all have to go off and devote so much time to being creative. I would’ve thought, in most of our jobs, you have to be creative every day. Like mine, because if I’m not creative, and move things around, and think about stuff, I can’t survive. Yeah. I’m not saying that it wouldn’t add value, but...”

“I think we all have to be creative working in local government. We always have to find ways to achieve what needs to be done”

“I thought that was what I was hired for. I thought we canvassed that. I thought if I wasn’t creative I wouldn’t be here. They’re selling a product, and if I was advising them from my point of view, I would say, you’re bad salespeople, it’s not packaged very well...will that get me into sufficient trouble?”

Appreciation of the role of creativity in leadership and teams:

“I love the whole idea, and I thought [colleague’s] presentation was fantastic and spot on about how to engage staff and how you engage people to be flourishing, how you get teams to be flourishing, but there’s a fundamental failure in some of our management approaches. You will never get flourishing teams with the people who are there because they don’t get it – that’s me being really honest.”

“And if you do it with your team, it’s a levelling thing, you’re empowering the whole team to get involved in how you do your work, rather than being told, top-down, this is what we are doing, this is how we do it. If you kind of bring in these people, it allows everyone to contribute a little bit more equally and increase engagement. Keeping people interested and engaged is really tough for some of our staff and I think to give tools to make everyone feel like they are contributing something is valuable.”

“I suppose some of the things round the collaborative approach to problem solving, I just found them very useful, the techniques, to understand and think, OK, how can we deploy that in our environment.”

Awareness of the role of creativity processes in effecting organisational change:

“Also, the other thing that I found was really useful about it is this sort of work gives you some great foundation work for, if you want to do something, you know like a change management program later on. With concepts like creativity as a tool, it’s really (inaudible) to then use that in another program which I hope to do later on.”

“And yesterday too, we actually started to apply some of the thinking to a workplace issue that we are all grappling with. So we were saying, let’s stop and think about how we might actually use this, so I think it’s going to be quite interesting to see how it rolls out in the rest of the organisation now that a few of us at least are starting to think and talk about using creativity and I think too, value the opportunity.”

“We serve within the local government area, businesses, community, the diversity of the makeup of our community with different expectations. We have an array of challenges, we deliver so many different services. I don’t think we can’t not be creative in what we do, to be able to do that. What our challenge is, and I think we are starting to see this more and more, is coming away from the officious, ‘We are Council’ approach to, no we are part of the community with you, and working with solutions with the community more. As opposed as ‘we are going to do unto you’. There is still a bit of culture within the organisation of that most definitely, and hiding behind policy.”

“So all in all, very interesting. It looks like some things are going to come out of it. And some things are perhaps going to come out of it sooner rather than later. Organisationally, I think it was the week before last we had a presenter from UTS come along and spoke about some of things they had done with creativity in their creativity lab. There was a reluctance to leave the room by Council Officers until we’d actually spoken about what they’d done and tried to give it some context with our own organisation and what we were going to do. And that seemed to resonate with everybody, and there was some good discussion around specifically an idea the General Manager presented with Connecting Marrickville. That looks like it might be a pilot, that genesised out of the Creativity Lab.”

Time as an issue, to attend the Labs, to fully participate in the Labs, and incorporate creativity into work practices was evident:

“We are so strapped for resources and time, that I just, while I would love to be creative and want to get involved, and too many meetings come up and Mayorals, and I can’t, I can’t put that time aside with any surety that I can commit to that, so I just don’t have that time.”

“Spending an hour and a half every week to go into that creative space...if I did that, that means I would have to take even more work home. I haven’t been able to prioritise creativity – I love the idea of it but...it’s not translating at the moment.”

“And another example, all this training is telling us to take our time, to give time to critically think about some things. We still get knee-jerk reaction – I’m particularly focused on Infrastructure Services – and they’ve been to all this training. They’ve had the same exposure as we’ve had, and I can’t see it translating. I think it’s fantastic, and I would love to apply what we are doing to a specific project because it’s fantastic. But organisationally we are spending a lot of time and money on this, and I can’t see that they are paying any attention.”

“For me, the most valuable thing was after the first session where the John Cleese video talked about needing lots of time to really think creatively. You need to make that sort of time. I was actually grappling with that problem in the middle of the night, as you do sometimes! And instead of just lying there and letting it go around in circles. I actually got up and got my pen and

paper and spent about an hour going through the issue and coming up with a framework for a strategy that I've been wanting to do for a while, but hadn't quite got my head around how I would do it. So that's been a really positive outcome for me, having done that if nothing else."

"...considering time is required for engendering and incubating creative thought. Busyness is an issue that needs to be addressed. Busyness could be viewed as an anti-creativity factor. A creative look at busyness across the organisation could be a valuable starting point for reviewing systems and identifying where there might be duplication, where there could be more integration and collaboration across departments to streamline reporting and work flows. This is a part of the connecting Marrickville approach."

"So yeah. It's been good, I like the practical tools. Umm for me that's the most useful stuff. The readings, I haven't had a lot of time to actually do the readings. I think for many of us time... time...time is an issue, in terms of getting the most out of it. So...I think I could get more out of it really by going back and looking at the readings again, reflecting on what we've done."

4.3.2 Emergent learning

Table 3 presents an overview of the emergent learning from each Lab and the final evaluation workshop.

TABLE 3: EMERGENT LEARNING FROM EACH OF THE CREATIVITY LABS

Theme	Emergent Learning
Lab 1: Connecting to Creativity	<ul style="list-style-type: none"> • 'Everyone is creative' – individual sense-making of the concept of 'creativity', focusing on process, capacity and accessibility • Value in a collaborative exploratory project • Understanding connections to the workplace
Lab 2: Creativity and the Individual	<ul style="list-style-type: none"> • Tools can be used to think in a different way • New techniques to 'have a go' • Connecting current work practices to past ways of working • Challenging accepted ways of working • Personal benefits derived from the workplace
Lab 3: Creativity and the Group	<ul style="list-style-type: none"> • Understanding opportunities for collaboration • Tools to use in the workplace • Shifts in thinking about role of creativity, innovation and collaboration
Lab 4: Creativity and Communication	<ul style="list-style-type: none"> • Work questions are often commonly too narrowly defined, leading to poor outcomes • Appreciation of the role of creativity in teams • Thinking differently and the valuing of 'risky learning' • Recognition of the desirability of working more in a more creative way
Lab 5: Creativity and the Organisation	<ul style="list-style-type: none"> • Shift in thinking about the role of creativity and innovation in supporting organisational change • Transformation of service delivery – considered paramount • Facilitating a culture where staff are supported to take reasonable risks • Standard work processes need to include ideas exploration as a regular activity • Understanding the creative needs of self and others
Lab 6: Out of Your Comfort Zone, In Your Comfort Zone	<ul style="list-style-type: none"> • How creative practices can enhance an understanding of place • Mindfulness/meditation practices and their value in enhancing the ability to see connections and to solve problems

<p>Lab 7: Creativity and the Community: Connecting to Place and Environment</p>	<ul style="list-style-type: none"> • Specific case example – exploring a range of ideas to improve the resident experience of Camperdown Park • Ideas for how the organisation could work differently • Ideas for how the organisation could work differently with the community • Understanding the organisation as a part of a creative community • Need to maintain momentum and continue the learning
<p>Lab 8: Findings and Analysis</p>	<ul style="list-style-type: none"> • Being able to grow and test ideas and creativity as a corporate value • Commitment to the need for a new service model for capital works improvements • The need to continue developing to create capacity throughout the organisation

4.3.3 Participant evaluation workshop

The final Creativity Lab comprised part of the project evaluation, and participants were encouraged to share their thoughts, observations and learning from the preceding seven Labs. A graphic facilitator was used to record the discussion and the large scale illustration gave the participants additional support in reflecting on the discussion and themes in real time. This was considered particularly useful in distilling common priorities amongst the group into a series of “I will...” statements that essentially formed an action plan for the organisation. This is discussed in the following section.

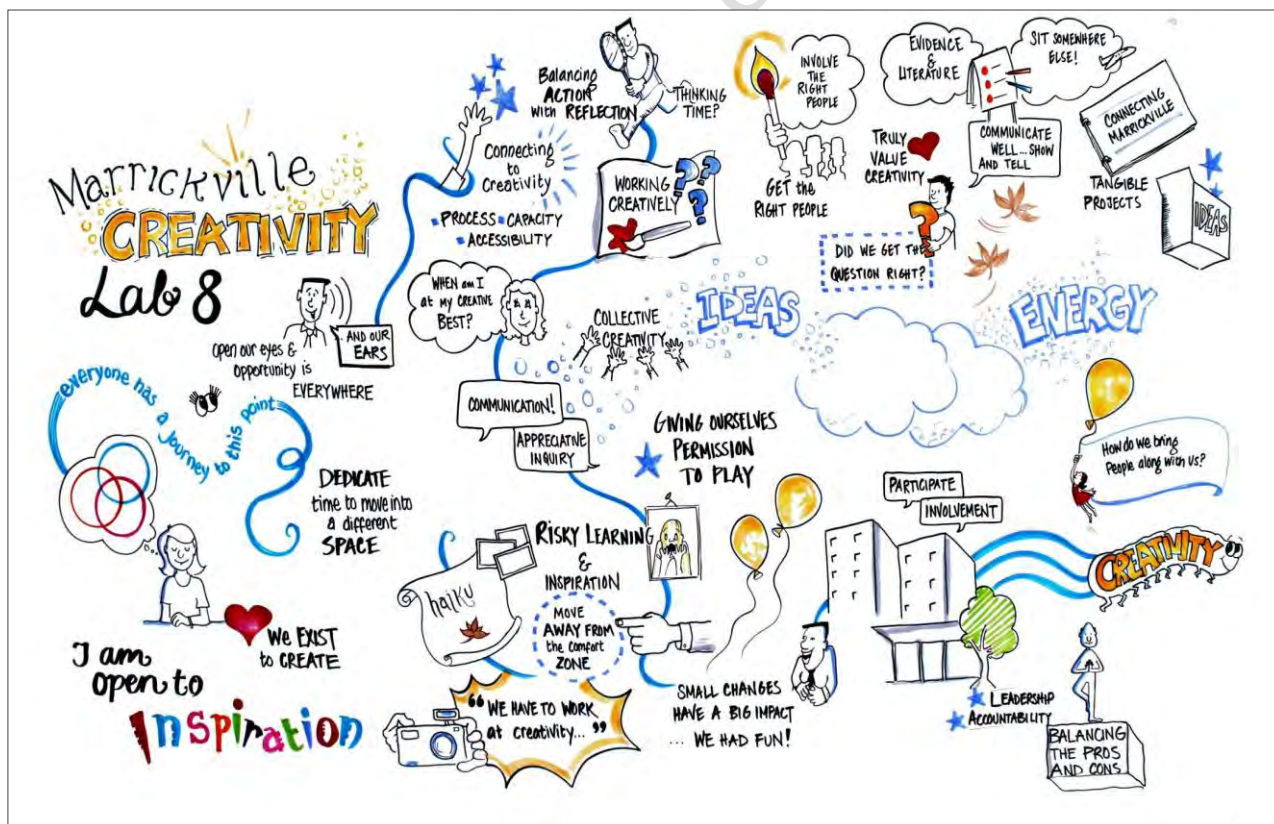


FIGURE 6: GRAPHIC REPRESENTATION OF DISCUSSION IN LAB 8

Table 4 presents the group results relating to the Creativity Lab hypotheses, described above.

TABLE 4: CREATIVITY LAB HYPOTHESES AND GROUP RESULTS

Lab	Theme	Hypothesis	Group Result
1	Connecting to Creativity	We are all creative	There was acceptance in the group that all people are creative. Traditional definitions of creativity as relating to arts practice were shifting towards a more inclusive definition of it as being a basic human ability.
2	Creativity and the Individual	Time must be allocated	The need to allocate time, and find time to practise creativity skills was identified as a major challenge. There was a general recognition that time should be allocated but the group didn't conclusively resolve how that could be managed within existing organisational culture and practices.
3	Creativity and the Group	Certain tools can support group creativity	There was consensus in the group that the tools had supported the enhancement of creativity skills. The majority of the group was interested for some form of the Labs to be made available to their teams.
4	Creativity and Communication	Creative techniques can lead to more effective communication	There was no clear consensus in the group. There was, however, general consensus that certain skills such as communication and problem-framing skills were beneficial to the creative process.
5	Creativity and the Organisation	Leaders that contribute to work environments that support creativity are more effective	There was acceptance in the group that leadership was critical to embedding creativity within the organisational culture.
6	Out of Your Comfort Zone, In Your Comfort Zone	There was no specific hypothesis this session - focus on consideration of place over the Easter break	Not applicable
7	Creativity and the Community: Connecting to Place and Environment	Connecting to Marrickville as a creative community can assist with work related problem solving	There was acceptance in the group that a better understanding of the community assisted with work-related problem solving. It was unclear if this was specifically related to the creative nature of the community itself.

4.4 Post-project evaluation

Further project evaluation was undertaken with participants in May 2015 through the distribution of an anonymous online questionnaire (see Appendix B). This provided the Creativity Lab participants with an opportunity to consider the longer-term effects of the project. Nine responses were received, with eight responses from current employees and one response from a former employee. All respondents were able to identify insights that had remained with them from the Creativity Labs as well as personal changes that had occurred for them since that time.

All current employees, i.e. eight out of nine respondents, were able to identify organisational changes that had occurred since the Creativity Labs. The former employee, as evident by written responses, noted that they had experienced difficulty in implementing creativity processes in their new workplace due to its organisational culture.

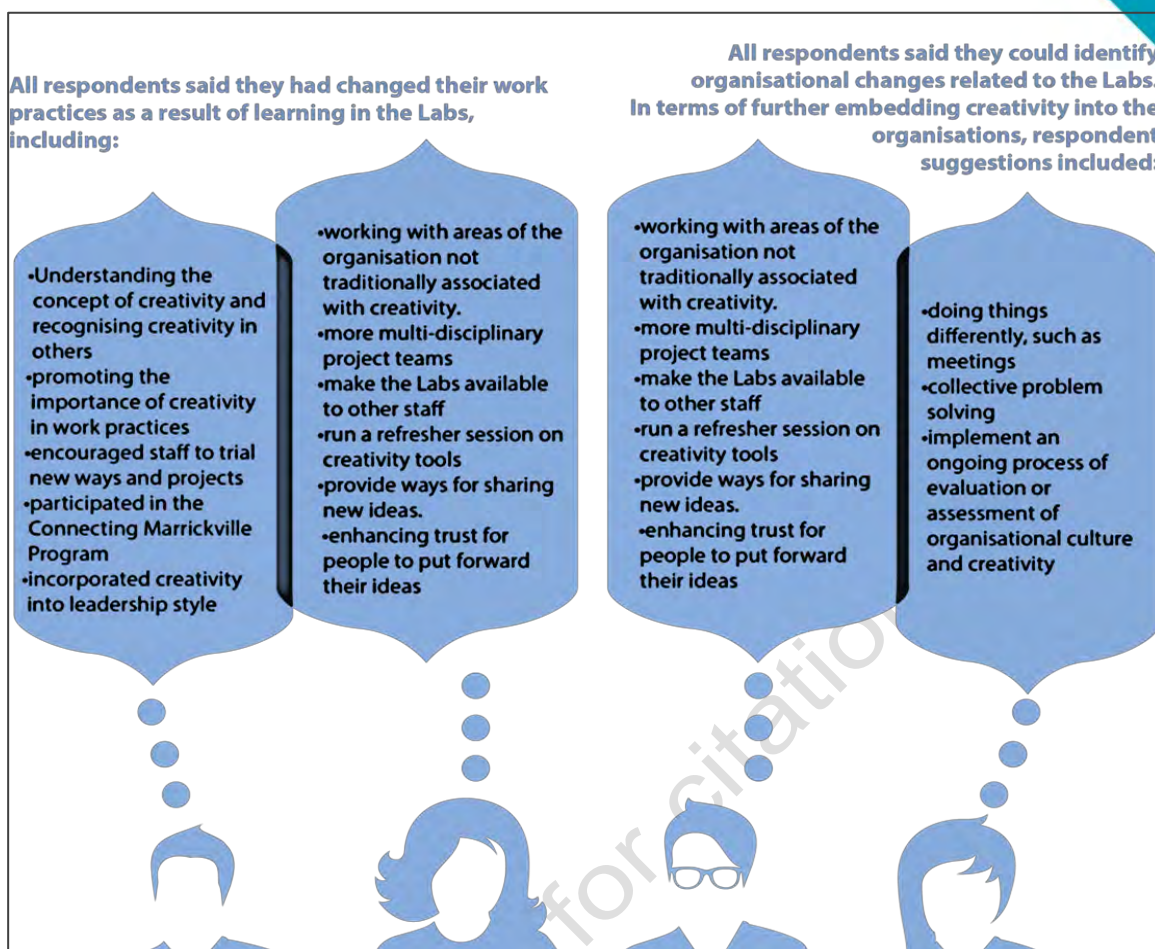


FIGURE 7: MARRICKVILLE CREATIVITY LABS LONGER-TERM EFFECTS

These results, as presented in Figure 7 above, show congruence with the literature on organisational culture, creativity and innovation (see Section 3 of this report). They point to the value of organisational norms that support creativity in the workplace, such as tolerance for mistakes, risk and uncertainty, support for change, and collaboration with diverse and effective teams.

Some respondents also articulated challenges in sustaining or applying learning from the Creativity Labs. These included remembering relevant information from the Labs and the lack of a shared understanding of creativity across the organisation. Time was the most common challenge, given by five out of nine respondents, also reflecting findings in the literature that time-pressured people struggle with creativity in the workplace.

5 Integration of the learning into Marrickville Council

5.1 Impacts

The Marrickville Creativity Project provided the organisation with an opportunity to explore new ways of working with creativity, innovation and collaboration to assist it through a period of change that was undefined and emerging. In the final Lab in April 2013, participants reflected on the previous seven Labs and considered ways to maintain momentum and incorporate learning into their work practices. Participant ideas were put forward as a series of "I will..." statements, presented in the figure below. These statements essentially formed an action plan going forward.



FIGURE 8: CREATIVITY LABS VISUAL REPORT 'I WILL...' STATEMENTS (LAZENBY, 2013)

Following the Project, and throughout 2013 and 2014, the organisation implemented several initiatives from the ideas presented above that provide evidence of new thinking in the organisation that is partly or wholly attributable to the project. This is presented in Table 5.

TABLE 5: CHANGE AT THE COUNCIL SINCE CONCLUSION OF THE PROJECT

Organisational Planning	Positions, Programs and Projects	Changes Identified	Staff Attitudes	Community Attitudes
Organisational commitment to rethink collaborative planning to produce better service outcomes for the community	‘Connecting Marrickville’ was an idea that emerged during Lab 7 as a cross-Council initiative. It aimed to create integrated planning for infrastructure delivery through a place management approach in collaboration with the community. The group includes 11 coordinators from across the organisation and it has delivered a range of projects.	8/9 of surveyed project participants could identify organisational changes related to creativity since the Creativity Labs in 2013 (Source: Marrickville Creativity Labs Participant Survey 2015)	10% increase in staff perception of improvement to the way the organisation operated (Source: Change and Improvement Survey 2014)	Community perception of Council also improved, with an increase in satisfaction from 3.78 in 2012 to 3.86 in 2014 (the NSW benchmark is 3.50) (Source: Marrickville Council Community Survey 2012 and 2014)
Inclusion of ‘Creativity’ as one of four organisation values - creativity was selected by staff from across the organisation as one of the top priorities for the organisation in 2014, along with ‘Collaborative’, ‘Respectful’ and ‘Responsive’	Establishment of the Manager Integrated Strategy position – this temporary position was created to oversee the development and implementation of the Connecting Marrickville program. This program is described in greater detail below.	9/9 of surveyed project participants were able to identify changes in personal behaviour directly attributable to project learning (Source: Marrickville Creativity Labs Participant Survey 2015)	92% of staff agreed that the Council was innovative. (Source: Change and Improvement Survey 2014)	Community perception of Council’s image increased from 4.08 in 2012 to 4.26 in 2014. (Source: Marrickville Council Community Survey 2012 and 2014)
Inclusion of creativity in staff performance plans, ensuring that they consider it as a core working process. This has become directly related to the corporate value of ‘Creativity’	New projects were added to the Arts and Cultural Development portfolio that indicate a higher tolerance for risk and appetite for innovation. These include the Live Music Marrickville program, Perfect Match Public Art Program and the May Lane Curated Walls Program (a street art program).	9/9 of surveyed project participants were able to identify insights or ideas that had remained with them over the past two years (Source: Marrickville Creativity Labs Participant Survey 2015)	93% of staff agreed that teams were finding new ways of doing things (Source: Change and Improvement Survey 2014)	There was a slight increase in the perceived quality of community events, celebrations, festivals, performances and exhibitions (Source: Marrickville Council Community Survey 2012 and 2014)

<p>Increased profile of community creativity in the Community Strategic Plan (published in 2013) – ‘A cultural and creative Marrickville’ included as one of four key results areas.</p>	<p>Previously culture and creativity was a sub-area within other key result areas.</p> <p>The Marrickville Creativity Group was established as an open membership cross-Council working group to further explore the concept of creativity in the Council.</p>	<p>Staff perception of improved cross-unit cooperation and willingness to collaborate</p> <p>(Source: Staff Satisfaction Survey 2014)</p>
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As the data provided in Table 5 demonstrate, a number of internal changes within the organisation were perceived by project participants and within the broader group of Council staff, with over 90 per cent of staff perceiving change and innovation in the organisation.

5.2 Connecting Marrickville Program

Since the establishment of the Connecting Marrickville Program in mid-2013 following the Creativity Labs, the Program has continued to gain momentum and influence the way services are delivered to the local community. Connecting Marrickville is managed by a standing working group that meets every three weeks to collaborate, track progress, nominate quarterly targets and share learning. Working with a budget of approximately \$150,000 and three key staff, the Program has successfully implemented a range of projects that have developed and trialed new ways of collaboration with a focus on producing innovative outcomes. The goals of the Program have been framed around three key principles:

- Build better places through cross Council collaboration.
- People are connected with place, and place with people.
- Infrastructure is multifunctional.

From the time of its inception, Connecting Marrickville has delivered 18 new footpath projects and a new communications plan for infrastructure works. Of particular note are four demonstration projects that have established a new way of working for Council:

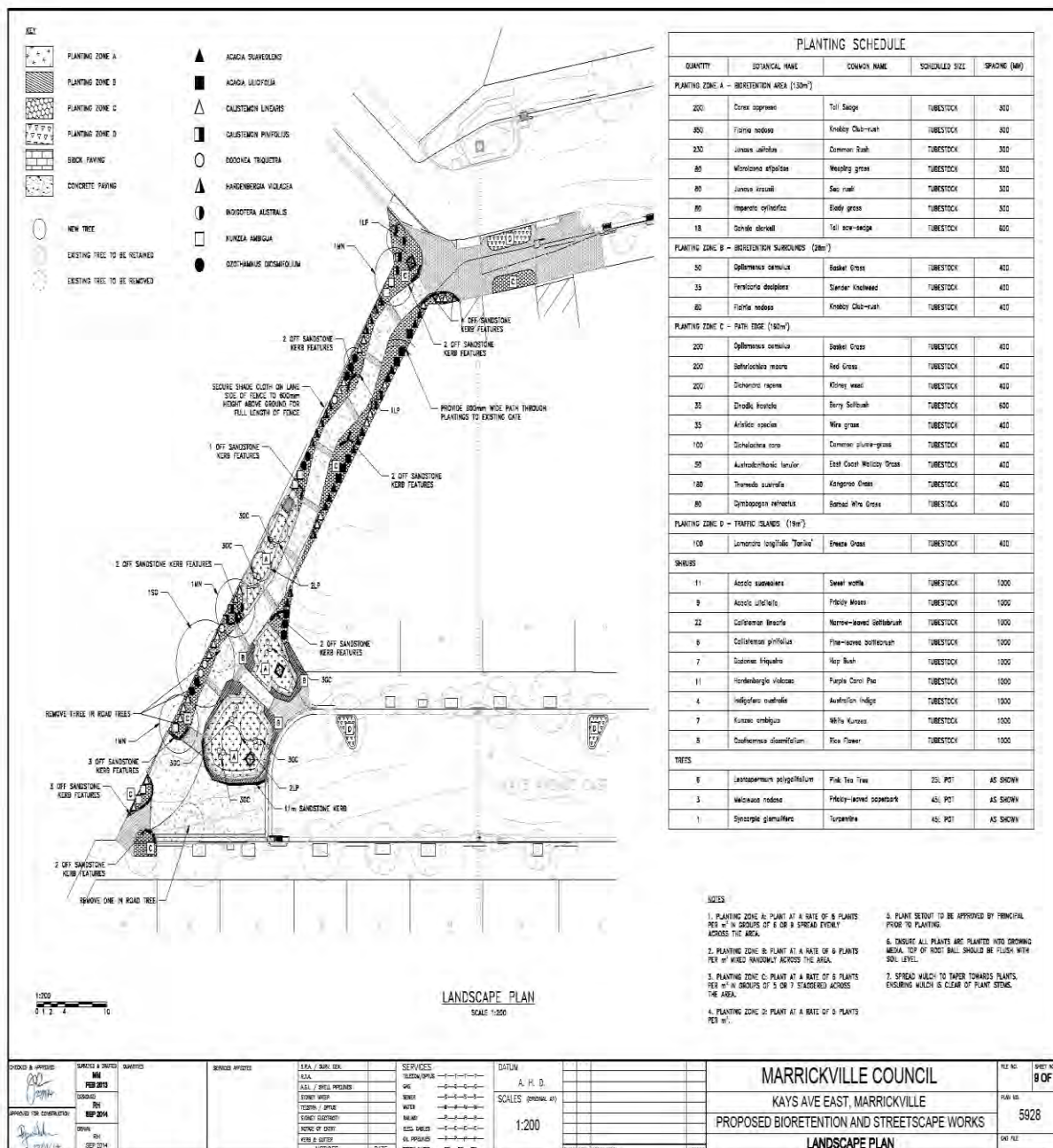
- Kays Avenue Living Lane Project (see Box 2 below)
- Gleeson Avenue
- Camperdown Park Plan of Management
- Dulwich Hill integrated place-based planning project.

Across all of the Connecting Marrickville projects, delivery team members noted that the projects had been executed through the use of new ways of working, and that these processes had delivered a range of innovations on the ground, such as reductions in impervious paving areas, planting to increase biodiversity, processes that used engagement, collaboration and creativity, improved project planning, reprioritisation of infrastructure goals, and addressing the need for a better balance between people, cars and bicycles.

BOX 2: KAYS AVENUE LIVING LANE PROJECT

Kays Avenue Living Lane

The Kays Avenue Living Lane Demonstration project sought to deliver multifunction infrastructure outcomes through cross-organisational collaboration, community and stakeholder engagement. The multi-functional infrastructure delivered in Kays Avenue includes storm water treatment, flood mitigation, increased habitat, bike path as a sustainable transport outcome, seating and Place Making through improvements to visual amenity. This is illustrated below:



The Connecting Marrickville Program was supported by group that re-formed as the Marrickville Creativity Group in late 2014. The new group is tasked with a broader remit focused on the implementation of the corporate value of creativity through the development of organisational understanding and application of creativity, as well as applying learning to consider opportunities for the community and local government generally.

5.3 Challenges

As a new project for Council, Marrickville Creativity presented a number of challenges for the core project team and the participants. While the project has delivered positive outcomes for the organisation, there are a number of opportunities to improve the project format, delivery, and content. These challenges can be summarised as barriers to participation, resourcing, program capacity and availability and organisational commitment and are detailed below.

5.3.1 Barriers to participation

Barriers to participation have been considered to comprise three main areas, including prior understanding of the subject, attitudes to the subject and timing.

- Prior understanding of the concept of creativity as it applied organisations - at the beginning of the process, some participants expressed views that indicated anxiety around personal creativity and understanding of the value of the project, with various understandings of creativity evident in the group
- Attitudes to creativity - some participants expressed reservations about the need to develop organisational capacity for creativity, commenting that it was not a priority for their work or that they considered themselves to be sufficiently creative
- Time was the critical factor for the majority of participants. Key learnings included:
 - Participants required more notice of the program in order to accommodate it within their schedules.
 - More time to communicate the Labs to the executive and management teams could have potentially delivered better understanding and participation.
 - Participants would have liked more preparation time in the lead up to the Labs and longer time between Labs so as to reflect upon and integrate new learning.
 - Some participants would have preferred less time for each, for example two-hour sessions as opposed to sessions of three hours or more.
 - Some participants found it difficult to find the time to do the readings and preparation between the Labs.
 - A longer lead time in the development of the program could have assisted in refining elements of the overall project, like establishing broader management support for, and commitment to, the project.
 - Ideally, post-project evaluation would have been conducted at six and 12 month marks after the Labs in order to monitor changes to creativity in the organisation. This was prevented by a core project team member taking extended leave.

5.3.2 Resourcing

The project did not have a dedicated budget and therefore it was delivered within limited existing organisational resources. This limited the ability to deliver the project as effectively in terms of materials, locations and speakers.

The intensity of the calendar for Labs produced some resourcing issues for Council staff in the preparation for the Labs.

There was an opportunity to better use the Literature Review for staff learning, such as by centrally locating electronic files for easy access.

5.3.3 Program capacity and availability

Several participants expressed a desire for the Labs to be made available to their teams as well as opportunities for other staff to participate in future versions of the project. Suggestions included producing versions of the program that managers could implement within their own teams and conducting an expression of interest across the organization for staff to self-nominate to participate in the program.

5.3.4 Organisational commitment and value

While the General Manager was supportive of the project and could see potential organisational benefits, better communication with the executive and management teams to develop their understanding of the project could have contributed to better participation rates. At the same time, the team members that did participate in the project were very positive about its value for themselves, and saw considerable potential for their teams and the organisation.

5.4 Next steps

In the coming period, the Council intends to continue to develop the Marrickville Creativity Project through:

- Preparing a revised Marrickville Creativity Labs program and toolkit for future implementation as part of organisational learning and development
- Incorporating creativity tools into the Council's staff induction program
- Preparing case studies of cross organisational projects to assist in understanding the role of creativity in collaboration and change
- Undertaking further research on Councils role in the creative eco-system and the inter-related processes of creativity, innovation and collaboration are affected by factors such as organisational culture, leadership and time.
- Maintaining the Marrickville Creativity Group as the Council's key staff resource exploring creativity in the workplace.

5.5 Summary

The Marrickville Creativity Project essentially constituted a leap of faith for the organisation in that it was not a tested concept with measurable outcomes and hence presented a risk the organisation in terms of time and energy. It did however manage to produce a series of outcomes and learnings for the organisation that were subsequently embedded and used to produce considerable value for the organisation in terms of organisational culture, strategic planning and daily operations.

These changes were recognised by the project participants and the broader staff group, and on the ground projects such as Connecting Marrickville provide evidence of impact on the community.

6 Conclusions and implications

6.1 Project summary

The Marrickville Creativity Project explicitly links a more creative council to its creative community, and it also serves to document an approach that could be drawn upon by other local governments wishing to operate in a more creative and innovative way. It suggests that a focus on creativity can assist councils to 'do more with more' – more collective forms of self-expression that occur in and through everyday work; more production of novel and useful ideas that are appropriate to the goals at hand; and more conceptualising of the ways in which the global and the local unavoidably interact, paralleling the global knowledge economy we are now experiencing.

The literature provides examples from Australian and international jurisdictions of ways in which innovation and creativity have manifested in local government. These examples suggest that creativity can have impacts not only on areas such as community sports, recreation and the arts, but also on economic development, the management of public assets, energy regulation and means to better communicate with citizens. Creative-based strategies are likely to be more sustainable if they capitalise on the distinctive characteristics of places as well as targeting the wellbeing of the population.

The Marrickville Creativity Project provided an opportunity for Marrickville Council's senior management team to explore creativity in relation to their work within Council and the Marrickville community, but also within a period of emerging change within the sector. This is in keeping with evidence from the literature, which suggest that several drivers have been prompting local governments in recent years to reconsider the ways in which they organise themselves, manage service delivery and hold themselves accountable to citizens and other stakeholders.

A series of Creativity Labs for Marrickville Council managers exposed participants to a range of tools and ways of thinking applicable to workplace situations that foster creativity. Providing the Council's leadership with an opportunity to explore multiple aspects of creativity – individual, team, leadership, organisational and community – have contributed to noteworthy cultural shifts within the organisation. The development of a range of tools and practices to support creativity at work – including the role of mindfulness, allocating time, appreciate enquiry and systems thinking – continue to provide staff with opportunities to enhance their skills in this area.

In the period since the Marrickville Creativity Project concluded, the organisation has embedded creativity into its organisational culture, planning, commitment to its community and its day-to-day working operations. The Marrickville Creativity Group continues to meet monthly and regularly gains attendance of 15 to 20 staff from all Council departments, including a range of staff levels from executive members, managers, coordinators and officers.

6.2 Conclusions

In terms of the questions which framed the Marrickville Creativity Project, the project outcomes indicate overall positive responses:

Could Council better understand and benefit its creative community by adapting to programs and ways of working informed by the same processes that marked the Marrickville community, i.e. creativity?

The outcomes of the Marrickville Creativity project demonstrate that creativity has changed the way in which Council, as an organisation, collaborates and delivers services to its community, as evidenced by the Connecting Marrickville Program. This program is aimed at establishing a new collaborative working process that draws on diverse team membership, with openness to

new ways of trialling and delivering outcomes, and informed by a deeper knowledge of community and place.

While the Council has a long history of supporting its creative community, the project has assisted in developing a broader awareness of Council's role as part of the creative eco-system.

Could Council's local governance processes and outcomes be improved by building the organisation's capacity for creativity?

There is some evidence from the Marrickville Creativity Project that local governance processes have been improved through the development of creativity skills in Council staff and adaption of the organisational culture to value and support creativity in the workplace. The incorporation of creativity as a corporate value, and shifts in organisational culture and work practices to facilitate creativity, have effected change on the way some services have been delivered to the community. Examples of this include the Connecting Marrickville Program.

What is the current thinking on creativity and its role in the workplace, particularly as applicable to local government?

This key question was addressed through the literature review which revealed that, while there are several disciplines discussing various aspects of creativity in the workplace, there is a shift towards consideration of creativity as a process in the workplace that is closely linked to innovation and change processes. The associated implication is that processes can be managed and therefore leadership and team processes are also relevant.

While the literature on creativity in the public sector, particularly Australian local government was sparse, much of the corporate literature can be considered relevant to the organisational processes of local government.

6.3 Implications for local government

The outcomes of the Marrickville Creativity Project have a number of potential implications for the local government sector, including:

- Councils can improve their performance through incorporating creativity into the culture and operations of their organisation for the benefit of their communities.
- Creativity can assist individuals, teams and organisations to develop innovative, appropriate and effective solutions, in recognition of broader changes impacting the sector and the need to develop organisational capacity to meet these challenges.
- The management of organisational culture to facilitate creativity can contribute to innovation and change processes.
- Creativity can be incorporated as a specific area of staff learning and development, for example through the development of Creativity Labs as a program and toolkit.
- Consideration of time, and how it can be managed to accommodate creativity processes individually, within teams and within the organisation as a whole, requires further investigation.

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Appendix A. Marrickville Creativity Labs – Description of program

TABLE 6: PROGRAM FOR THE MARRICKVILLE CREATIVITY LABS

Lab / Date	Theme	Content	Emergent Learning
Lab 1 25 Feb 2013	Connecting to Creativity	<ul style="list-style-type: none"> • Exploring hypothesis: we are all creative • creative toolbox • benefits and challenges • understanding impact 	<ul style="list-style-type: none"> • everyone is creative • individual sense making of creativity around process, capacity and accessibility • value in a collaborative exploratory project • understanding connections to the workplace
Lab 2 4 March 2013	Creativity and the Individual	<ul style="list-style-type: none"> • Presenter: Clive Leach • Exploring hypothesis: time must be allocated • positive psychology and wellbeing • Creative style Personal contribution 	<ul style="list-style-type: none"> • tools can be used to think in a different way • new techniques to 'have a go' • connecting current work practices to past ways of working • challenging accepted ways of working • personal benefits derived from the workplace
Lab 3 11 March 2013	Creativity and the Group	<ul style="list-style-type: none"> • Hypothesis: certain tools can support group creativity • exploring difference • supporting creativity • creativity and leadership • collective creativity 	<ul style="list-style-type: none"> • understanding opportunities for collaboration • tools to use in the workplace • shifts in thinking about role of creativity, innovation and collaboration
Lab 4 18 March 2013	Creativity and Communication	<ul style="list-style-type: none"> • Hypothesis: creative techniques can lead to more effective communication • creative community workshops - engaging others • leading with curiosity • changing communication norms • creative questioning • presented by Joanna Jacovich, UTS u.lab and Daphne Freeder, UTS Business School 	<ul style="list-style-type: none"> • work questions are often commonly too narrowly defined leading to poor outcomes • appreciation of the role of creativity in teams • thinking differently and value in 'risky learning' • recognition of a need to work more creatively
Lab 5 25 March 2013	Creativity and the Organisation	<ul style="list-style-type: none"> • Hypothesis: leaders that contribute to work environments that support creativity are more effective • investigating the creativity behind workplace innovation • creative thinking • organisational behaviour • influencing organisational culture • creative attitude • nurturing ideas • Presented by Heather Whitely Robinson, Museum of Contemporary Art Sydney 	<ul style="list-style-type: none"> • shift in thinking about role of creativity and innovation in change • transformation of service delivery considered paramount • facilitate a culture where staff are supported in risk taking • standard work process needs to include ideas exploration as a standard activity • understanding our and others creative needs
Lab 6 Easter	Out of Your Comfort Zone, In Your Comfort Zone	<ul style="list-style-type: none"> • Practice mindfulness / meditation • create a photography essay about a place • write a Haiku about place 	<ul style="list-style-type: none"> • how creative practices can enhance your understanding of place • mindfulness / meditation practices can enhance ability to see connections and problem solve

<p>Lab 7 8 April 2013</p>	<p>Creativity and the Community: Connecting to Place and Environment</p>	<ul style="list-style-type: none"> • Hypothesis: • Connecting to Marrickville as a creative community can assist with work related problem solving • understanding how environment affects creativity and creativity has formed the environment • engaging with the creative community • connecting context and place - site visit Camperdown Park • workshop by Michele Morcos, local visual artist 	<ul style="list-style-type: none"> • range of ideas to improve resident experience in Camperdown Park • ideas of how the organisation could work differently • ideas of how the organisation could work differently with the community • understanding of the organisation as a part of a creative community • need to maintain momentum and continue the learning
<p>Lab 8 15 April 2013</p>	<p>Findings and Analysis</p>	<ul style="list-style-type: none"> • Awareness of the different approaches to the creative process • deeper understanding of organisational culture • learning and outcomes • moving forward • graphic facilitation by Rebecca Lazenby 	<ul style="list-style-type: none"> • being able to grow and test ideas and creativity as a corporate value • commitment to need for a new service model for capital works improvements • need to continue developing to create capacity throughout the organisation

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Appendix B. Marrickville Creativity Labs Evaluation Survey Questionnaire

In 2013, Marrickville Council partnered with the UTS ACELG (Australasian Centre of Excellence for Local Government) to deliver Creativity Labs for Managers at Council. Council is now interested in finding out the impact of these Labs two years down the track in order to assess their value and contribute to future initiatives. As a participant, your feedback is valued and we ask that you fill in this brief evaluation form.

1. Thinking about the topics covered during the Creativity Labs (including personal creativity, creativity in groups and the community), what insights or ideas have remained with you over the past two years?

2. Have you done anything differently since the Labs as a result of what you learnt?

Yes/No

3. If you answered yes to question 2, please give some information about what you have done differently.

4. What challenges have you had in applying or sustaining the learnings from the Labs?

5. Can you identify any organisational changes related to creativity since the Creativity Labs in 2013?

Yes/No

6. If you answered yes to question 5, please provide details of these changes.

7. What ideas do you have to further embed creativity in the organisation to improve outcomes?

8. Any other comments on the Labs?

Draft not for citation

Draft not for citation

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MARRICKVILLE
council





Marrickville Council
**EXCELLENT
RATING
DETERMINATION**

Attachment 12



File Number: EXR0066

Applicant: Marrickville Council (PR-00003983) for
Globe Wilkins Preschool (SE-00007364)

Date of application: 4 September 2014

Reasons for decision

The Law:

The ACECQA Board determined and published the Excellent rating criteria in accordance with section 153(1) of the National Law. There are three criteria which must be satisfied to achieve the Excellent rating.

Under section 153, ACECQA must assess services in accordance with the published criteria to determine whether the service meets the Excellent rating and must take into account advice from the regulatory authority.

ACECQA must award the Excellent rating or refuse to give that rating (section 155(1)).

The power to award or refuse the Excellent rating has been delegated to me by the ACECQA Board under section 246(1)(c) of the National Law.

Evidence before me:

I have considered the evidence before me, including:

- the application for the Excellent rating and its supporting statements and evidence
- the assessment and rating report
- advice from the regulatory authority.



Assessment against the criteria

Globe Wilkins Preschool (Globe Wilkins) must satisfy three criteria to be awarded the Excellent rating. I have assessed the application against each of the criteria. The reasons for my decision are outlined below.

1 — The service exemplifies and promotes exceptional education and care that improves outcomes for children and families across at least three themes

Globe Wilkins nominated to be assessed against the following themes:

- Collaborative partnerships with professional, community or research organisations
- Commitment to children that respects, reflects and celebrates culture and diversity, including place of origin
- Inclusive partnerships with children and families
- Practice and environments that enhance children's learning and growth

Globe Wilkins has carefully planned its indoor and outdoor environments to be spacious, beautiful, engaging and inviting and this is well evidenced in the service's submission. The service's spaces maximise on natural and recycled materials and are designed to provoke imagination and curiosity.

Globe Wilkins offers an arts studio which children can use to create paintings, drawings and sculptures and a construction room. The service also has an extensive garden in which children can play, explore, and engage with natural elements. The service participates in a community garden where it maintains its own vegetable plot; food scraps are often collected at the service to feed chickens in the community garden. Children are encouraged to use recycled and natural elements found in the garden, and in the service's indoor spaces, to create art. Recently, children created a cart to carry belongings to the community garden. On another occasion, children also built a fence from branches and sticks to protect newly planted shrubs.

Globe Wilkins focuses on 'child navigated play experiences' and also practices 'multi age grouping'. The service groups children of varying ages together to 'maximise agency' and to allow children without siblings to develop relationships with older or younger children. The service believes this is more 'reminiscent of the way many cultures raise and educate children'. Globe Wilkins offers uninterrupted periods of time where children can choose where they want to be and what they want to be doing; this also assists in promoting agency and shows respect for children's unique interests and learning styles.

Globe Wilkins has established a relationship with Wunanbiri Preschool and the Multi



Mix Mob, to strengthen the embedding of Aboriginal and Torres Strait Islander perspectives at the service. In working towards this, the service encourages children to explore indigenous art and has created several meeting circles and incorporates an acknowledgement to country in its daily practice. As a direct result of the service's collaboration with the Aboriginal and Torres Strait Islander community, Globe Wilkins has increased to 10 places the number of enrolled Aboriginal and Torres Strait Islander families.

Globe Wilkins educates and cares for children from a range of backgrounds and celebrates diversity. This includes celebrating traditional Thai and Vietnamese festivals as well as engaging in practices and celebrations which are relevant to the Aboriginal and Torres Strait Islander communities. The service also focuses on representing the many gay, lesbian and transgender families who form part of the local community and service.

Globe Wilkins embeds the cultural perspectives of children and families at the service through storytelling, art experiences, excursions, and through the various materials available at the service's family library. The service works consistently on its inclusive practices to ensure that the community at large is reflected in every aspect of the service's operations. Globe Wilkins discusses issues relevant to the local community and encourages children to think critically about these. For example, recently, this included discussions on recognising Aboriginal Australians in the Constitution.

Globe Wilkins has also recently established a family library at the service which children and families can visit and borrow from. The library is stocked with books on a range of subjects, and contains materials which support parents and represent the diverse range of cultures present in the community.

The service has developed a relationship with a Professor at Sugiyama Jogakuen University in Japan. As part of this relationship, the service exchanges pedagogical information with the university, who visits the service once a year. The service has been involved in an international artwork experience with the Professor. Globe Wilkins hosts students from the university throughout the year, providing information on the service's pedagogical practices and the Early Years Learning Framework. The service's director was recently invited to lecture in Japan on the services pedagogical practices as a result of this collaboration. Globe Wilkins also works with several other educational institutions to host students.

Globe Wilkins has developed a transition to school program with Wilkins Public School and seeks opportunities throughout the year to allow children at the preschool to engage with school-aged children and Wilkins Public School. The



service maintains a connection with the school through a local committee established to oversee the community garden in which the service houses its vegetable patch.

In recent years, Globe Wilkins has established support and inclusion practices for children with additional needs; this includes a partnership with Pathways Early Childhood Intervention and has also involved funding and training for staff on the best methods to support children with additional needs. The service's 'Another Language' project is evidence of its commitment to improving its inclusive practice. Through the service's 'transformative leadership' approach, Globe Wilkins has worked to increase the number of places it offers to children with additional needs.

Analysis

For a service to meet criterion 1, it must demonstrate that it exemplifies and promotes exceptional education and care against at least three of the six excellence themes. This requires applicants to nominate at least three excellence themes, explain how each theme is supported and promoted through the service's practices, and demonstrate how those practices improve outcomes for the participating children and families.

Globe Wilkins references many outstanding practices, such as its heavy focus on its indoor and outdoor environments and its pedagogical practice. It is clear that Globe Wilkins is focused on robust critical reflection and well-supported teaching theory. The service's work to embed the various cultural perspectives and diversity represented in the community is also outstanding.

Globe Wilkins has demonstrated some outstanding collaborative partnerships. Particular noteworthy is the service's ongoing relationship with Sugiyama Jogakuen University, the service's partnerships with Wunanbiri Preschool and the Multi Mix Mob.

In my view, Globe Wilkins has demonstrated exceptional education and care across three themes and met criterion 1.

2 – The service demonstrates leadership that contributes to the development of a community, a local area, or the wider education and care sector

Globe Wilkins states that it 'takes an active leadership role within the local and wider early childhood sector and community'. The service has supported educators from other education and care services within Marrickville Council with their pedagogical documentation and educational programs. The support included conducting mock assessments of services to provide support around the quality



assessment process. Globe Wilkins has also worked with three other services to strengthen the services' pedagogical practice.

Globe Wilkins has developed a transformative leadership model which seeks to focus leadership on supporting the most disadvantaged in its community. Through this leadership model, the service actively seeks opportunities to evaluate and question how it can shape and model its practice to address the needs of the surrounding community.

The service's submission includes several examples of how it has used its transformative leadership approach to develop the community and the wider education and care sector. A recent example of this is the service's response to a dramatic decrease in funding for the arts and for art subjects in the federal and state curriculum. With the local community in mind, Globe Wilkins set about increasing children's exposure to and understanding of art.

Globe Wilkins uses its transformative leadership approach to evaluate and improve its inclusive practice and this is best evidenced by the service's recent increased intake of Aboriginal and Torres Strait Islander children and children with additional needs.

Globe Wilkins is constantly focused on how best to support the children and families at the service and in the local community and this is reflected in the service's application. Globe Wilkins is particularly focused on sharing its outstanding pedagogical practice with other services and with the sector at large. The service also works with community groups, such as Multi Mix Mob, to support their role as leaders within the community. Using leadership to promote leadership in this way is testament to Globe Wilkins commitment to its local community.

Globe Wilkins consistently provides information sessions and resources to other education and care services to help develop the wider education and care sector. Recently this involved an exchange of pedagogical practice with the Wunanbiri Aboriginal preschool in Alexandria. The service's director has also been invited to lecture on pedagogical practice at Sugiyama Jogakuen University in Japan and regularly hosts students from the university as part of its collaborative partnership.

Analysis

The criteria state that successful applications will show how the service takes the initiative to develop and model exceptional practice that improves outcomes for children and families, and willingly shares this to inspire and educate others. An applicant needs to demonstrate how the service's leadership contributes to the development of a community, local area or the wider education and care sector.



Globe Wilkins' transformative leadership model is an outstanding example of visionary leadership which develops a local area, local community and the wider education and care sector. The service proactively seeks opportunities to share its excellent pedagogical practice and is open to assisting services in the sector to improve practice.

Of particular merit is Globe Wilkins focus on supporting other community organisations in their own role as leaders within the community. The service marries its leadership model and focus on culturally inclusive practices wonderfully through its work with organisations such as Multi Mix Mob. The subsequent increase in Aboriginal and Torres Strait Islander enrolments at the service is just one example of the service's successful leadership approach.

It is my view that Globe Wilkins has demonstrated leadership that contributes to the development of the local area, community and education and care sector and has met criterion 2.

3 – The service demonstrates commitment to sustained Excellent practice through continuous improvement and comprehensive forward planning

The criteria state that Excellent rated services will embrace the responsibility of maintaining excellence and recognise the importance of pursuing opportunities for further improvement. To receive the Excellent rating, a service needs to demonstrate how it will sustain exceptional practice and leadership, and continue to improve outcomes for children and families, over the three year rating period.

In satisfying the first and second Excellent rating criteria, Globe Wilkins has demonstrated a commitment to excellent practice. Globe Wilkins is committed to striving for the very best for children and families and the service's practice is evidence of this. The service has demonstrated outstanding critical reflection and has a documented history of ongoing assessment and evaluation.

The service has provided numerous examples of how it uses its transformative leadership model to critically reflect upon, and improve both its practices and the local community. Globe Wilkins has shown that its practice is well supported by teaching theory and constantly subject to improvement. The service has a clear plan to continually improve and reflect and this is evidenced in the service's application through its transformative leadership projects, its quality improvement plan and its preschool goals.

As the service has demonstrated comprehensive forward planning for quality improvement, I am of the view that the service has met criterion 3.



Australian Children's
Education & Care
Quality Authority™

Overall conclusion

Under section 153(2), I have assessed the application from Marrickville Council in accordance with the Excellent rating criteria and have determined that the service has met the three Excellent rating criteria. For this reason, under section 155(1)(a), I have decided to award the Excellent rating to Globe Wilkins Preschool.

As a result, the overall rating of Globe Wilkins Preschool changes to Excellent.

SIGNED

(Karen Curtis)

Chief Executive Officer, ACECQA

23 October 2014





Marrickville Council
**PWC COMPARATIVE
SURVEY
RESULTS**

Attachment 13

www.pwc.com.au

NSW local government operational and management effectiveness report – FY14

Marrickville Council

*PwC and Local
Government
Professionals,
Australia NSW*

29 April 2015



pwc

Foreword



Stuart Shinfield
Partner
PwC Analytics

This is the second year that PwC and Local Government Professionals Australia, NSW have collaborated to produce the Local Government Operational and Management Effectiveness Insights Survey for councils in NSW.

Based on the foundations of our first study, we have further developed the data we collected from 78 NSW councils, and the analysis generated. We are particularly alert to the timing of this report, with council Fit for the Future submissions due within the next two months, and we trust that this report serves as a useful tool for you to measure your progress against your goals while targeting areas for improvement.

In completing this process with councils, we have already seen a substantial improvement in **councils' capacity to efficiently complete the data collection and verification process. We have** observed that many councils now use repeatable processes that allow them to generate reliable, consistent data from core systems, and we congratulate the councils that have made this investment.

The report itself continues its focus on providing insight to local government professionals, senior managers and governors. We have addressed issues that we believe can enable more effective management of these complex and critical organisations – looking inside the workforce and operations of councils to provide meaningful information and analysis. We continue to incorporate the results of other PwC research into this project, to add local and international experience, and perspectives from across different sectors.

The entire PwC team is very grateful to the staff at each of our participating councils for their diligence and helpful feedback. As we now prepare for the Round 3 report, while also working on new innovations (described by Annalisa below), we continue to find new opportunities for providing insight to councils, and measuring their improvement. It remains a privilege to continue this work and support councils in their journey towards operational excellence.



Annalisa Haskell
CEO
LG Professionals
Australia, NSW

Welcome to our second local government operational effectiveness report. We have worked hard to **deliver this report in a timely manner, acknowledging that all councils' Fit for the Future** submissions are due imminently to the NSW government.

We have spent significant time ensuring that this report allows you to easily see the key trends and changes for the sector as a whole, as well as for your own council. We want you to identify and take away the key points of relevance so that you can communicate these to the government or internally, but also to your key stakeholders who have an interest in your performance and who appreciate being brought along with you on this insightful journey.

Since the launch of the project and the delivery of Report 1, all councils (except one) have been able to maintain their full involvement in the project, and seven new councils have also joined in, so we now have 78 participating councils. I look forward to presenting the industry trends, changes and insights at the LGMA National Congress in Darwin at the end of April 2015. Mayors and General Managers/CEOs from around the country will be in attendance and will hear about the great work we have all done together to support councils in NSW. As this is the first real analysis of council performance, I am sure it will attract attention to and highlight the common issues concerning all Australian local government councils. It will also clearly outline the power of working collectively to deliver many incremental benefits that would not have been possible individually.

Our planned new development of the Council Regional Analysis and Comparative Tool to accompany this industry resource is also evidence that by working together we can deliver above and beyond, with high quality outcomes for councils. We intend to maintain this program of work (both the survey and the tool) beyond Survey 3, and develop the resource in collaboration with you.

There is no doubt we must continue to do things differently to shape our progress. As with all good challenges, this requires a lot of work as well as courage. It is clear that the best decisions are only possible with the best information, and I am proud to say that perhaps a little uniquely, NSW councils have embraced the opportunity to achieve this.

“Change is the law of life. And those who look only to the past or present are certain to miss the future.”

– John F. Kennedy (1917–63), 35th President of the United States of America

NSW local government highlights

Span of control

The median span of control of 3.5 employees per manager remains unchanged. This indicates the sector is over managed when compared to the global PwC benchmark, which suggests that 6 employees per manager is achievable.



Turnover rate in the first year

The median turnover rate of employees in their first year is significantly higher, at 17.9% compared to the overall equivalent turnover rate of 10%, and for first year Gen Y employees the turnover rate is 22%.

Gender turnover rate in the first year
Female employees are 1.4 times more likely than males to leave local government in their first year of employment.



Pipeline of female employees

Women face more challenges progressing to senior levels in large councils. The overall median proportion of female managers and above is 31% but in large councils it is 28%.

Promotions within the director level
Councils are making progress to address the gender imbalance at the director level. Female directors were 1.3 times more likely to be promoted compared to males.



Retirement and succession planning

60% of general managers and 39% of directors will have the option to retire in ten years, yet only 19% of councils have a succession planning program in place.

NSW local government highlights



17%

Finance - business insight activities

We continue to see a concentration of finance effort on transactional tasks (67%), with less effort allocated to business insight activities (17%).

Tracking and managing capital projects

63% of councils now formally track and have a project management framework in place for all or most of their capital projects, compared to 54% in the prior year.



63%

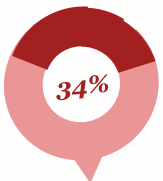


Service reviews

96% of metro councils conducted at least one service review in the 2013–14 financial year, compared to 69% of regional and 42% of rural councils.

Effective IT systems

Councils that rate their IT systems as effective are more than twice as likely to have a formal IT strategy in place, compared to councils without an IT strategy or with only a draft IT strategy in place.



Reporting risks to council

Management is still not in the practice of formally reporting risks to council on a regular basis – only 34% of councils report risks to council at least quarterly.

Internal audit performance

Councils with an Audit and Risk Committee perform better in more areas of the internal audit – 66% of councils with a Committee performed well in six of the eight surveyed areas of the internal audit.



66%

Contents

7

Methodology

8

Survey population

9

Understanding this report

12

Workforce

45

Finance

63

Operations

81

Risk Management

90

Corporate Leadership

101

Contacts

103

Definitions

Methodology

PwC and LG Professionals, NSW are pleased to release the second round of the NSW Local Government Operational and Management Effectiveness Report. The results of the survey predominantly focus on the 2013–14 financial year. This report is the second of three annual reports in a three-year research plan, throughout which participating councils complete annual surveys and receive findings and meaningful comparisons that focus on operational and management excellence.

In providing the current comparative insights, PwC is drawing on its extensive experience with local government and in developing, delivering and analysing a variety of business process surveys across multiple industries.

Below is the process we undertook to produce this customised insights report for each participating council.

How the report was produced:



Disclaimer:

PwC has not verified, validated or audited the data used to prepare this insights report. PwC makes no representations or warranties with respect to the adequacy of the information, and disclaims all liability for loss of any kind suffered by any party as a result of the use of this insights report.

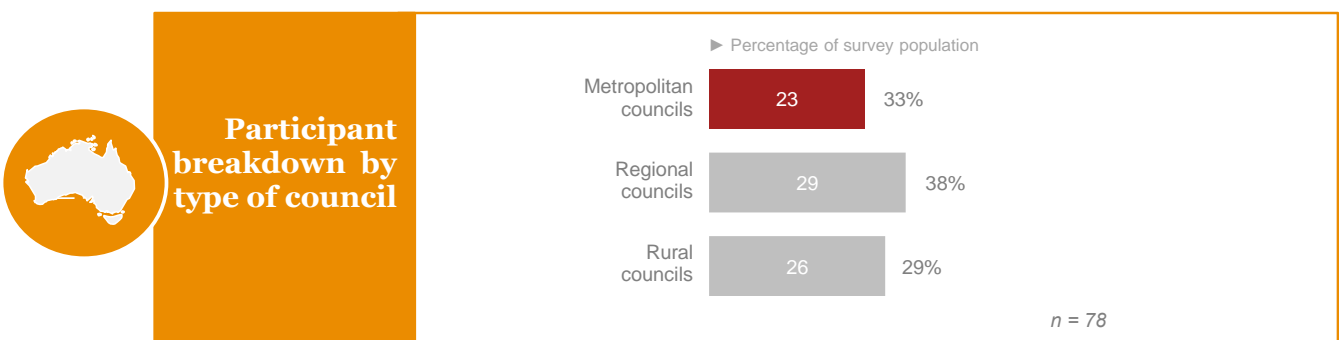
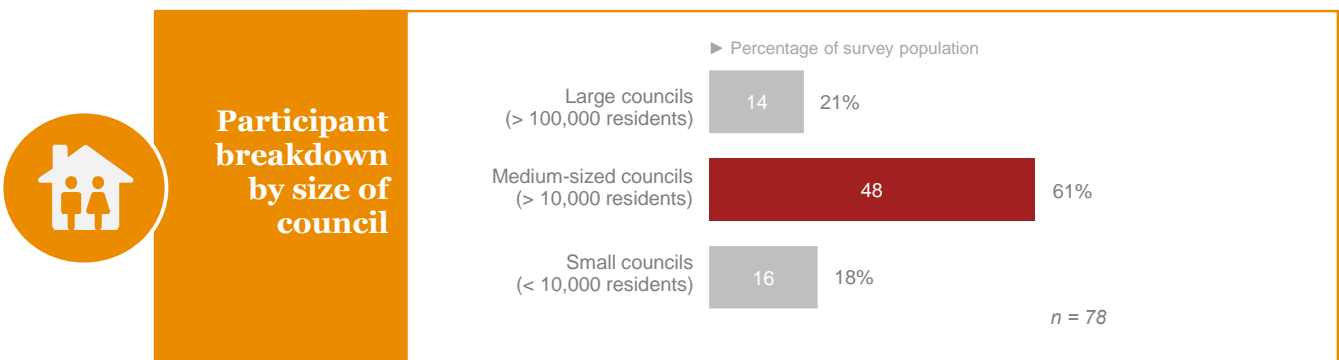
Survey population

This insights report contains data contributed by 78 NSW councils. The average annual revenue of participating councils was \$83.5 million. The average number of full-time equivalent (FTE) employees across the councils was 345.8.

Throughout this report, participating councils have been identified by the size of the resident population (small, medium or large) and the type of council (metro, regional or rural).

To group councils by size, we used the Australian Bureau of Statistics 2013 estimated resident population. Large councils have more than 100,000 residents, medium-sized councils range from 10,000 to 99,999 residents, and small councils have fewer than 10,000 residents.

We used the Office of Local Government comparative information NSW Local Government 2011-2012 - time series data report to group councils into metropolitan, regional and rural classifications. We merged this report's 'metropolitan' and 'metropolitan fringe' categories as 'metro', and 'large rural' and 'rural' are represented in this report as 'rural'.



Understanding this report

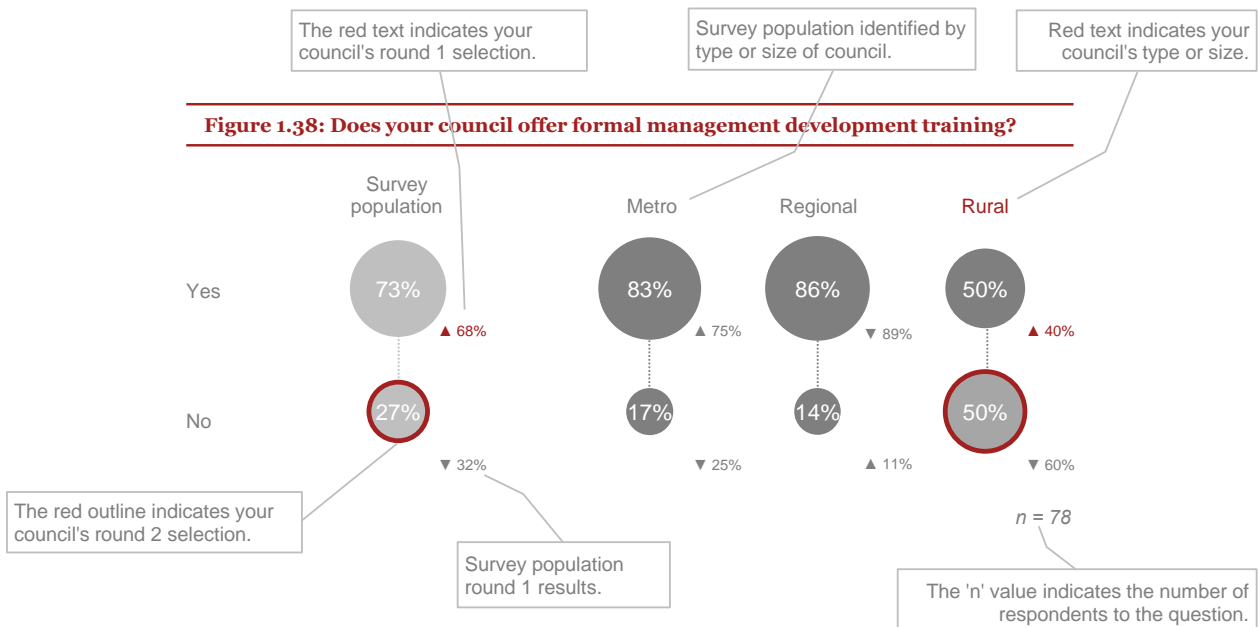
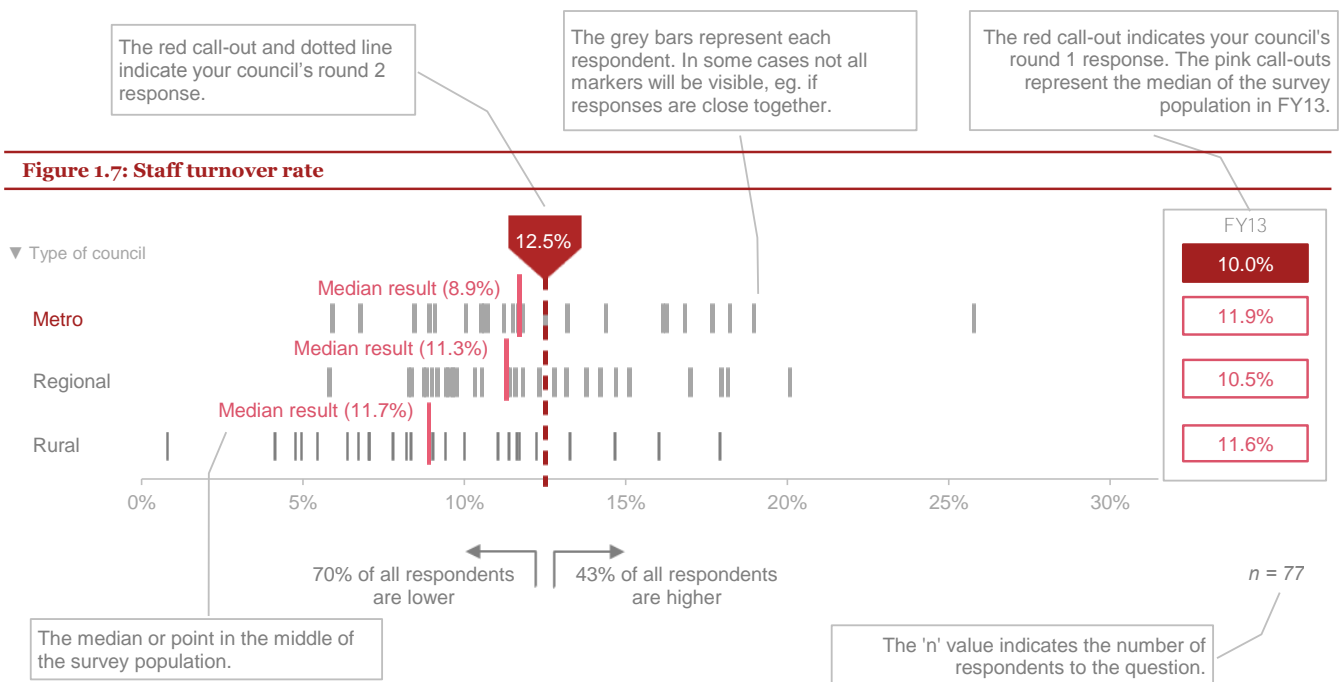
PwC and LG Professionals, NSW's Operational and Management Effectiveness Report FY14 is customised for individual survey participants. All charts within the report represent the individual council's results relative to the sample population that responded to that particular question.

The commentary provided in the report has been prepared for the overall study and while it does not change for each council, it should provide relevant information to help each council understand the context of its own results.

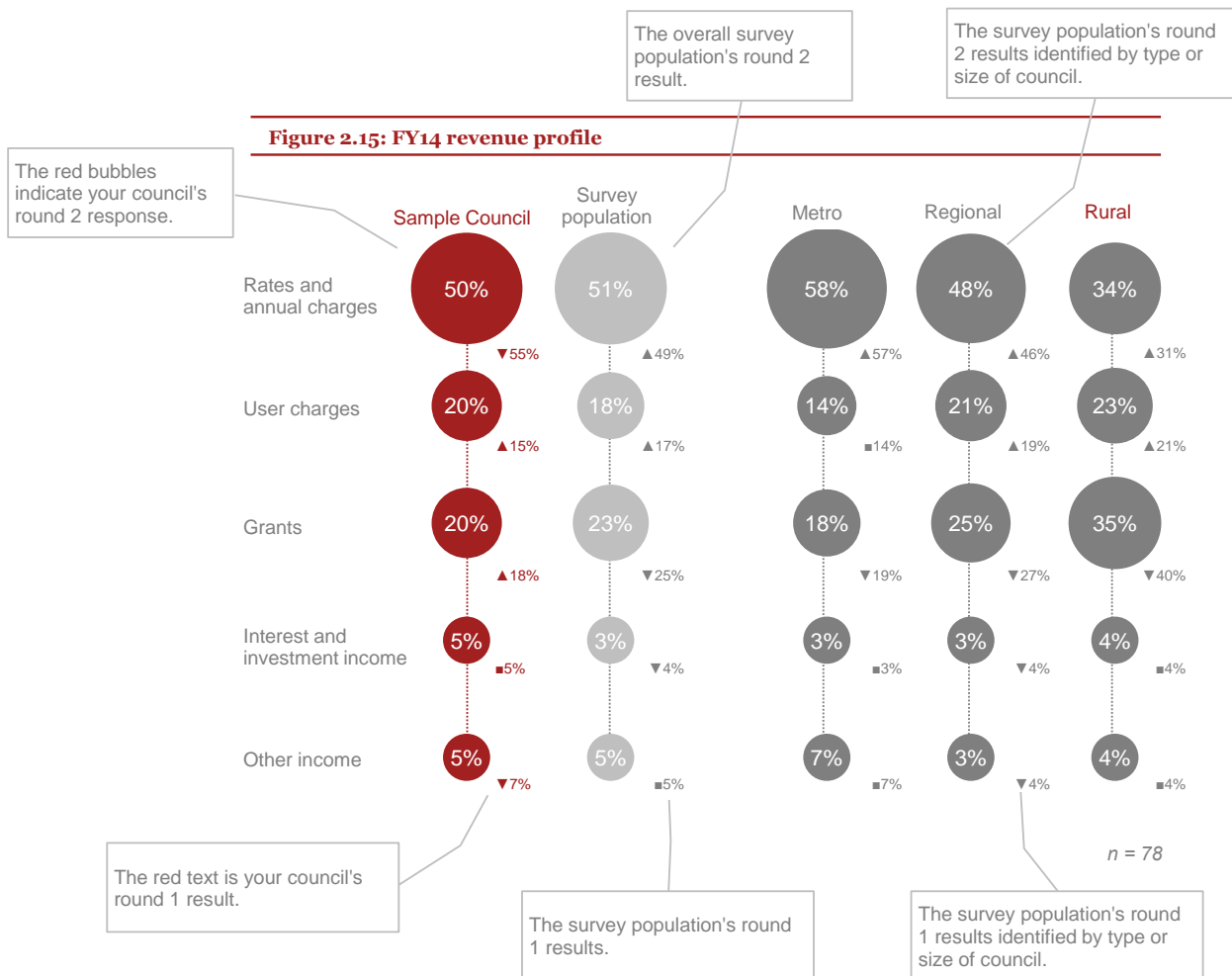
For each response to a question, your council's input is displayed in red (indicated by the legend). To help you understand changes from the previous report, the majority of charts within this report also show the results from the 2012–13 financial year (Round 1) for your council and the survey population.

If no input was recorded by your council for this year and/or last, the red indicator will be missing from the charts and the result for the overall population will be displayed.

As the charts now convey a great deal of information, we have provided further explanation below on how to interpret distribution and bubble charts throughout the report.



Understanding this report



Before reading this report, it is important to note that it is not an in-depth customised analysis or review of each council's business operations. Instead, it reflects your council's survey results in relation to the total sample.

Participating in this type of survey should allow councils to:

- evaluate their own practices to better understand current operational and management performance
- identify areas of focus when striving to optimise operational excellence
- understand how Australian businesses — and in some cases international businesses and Australian federal agencies — perform in terms of workforce, operations and finance using results from similar surveys conducted by PwC in Australia and globally.

The survey provides insights into the following areas:



Workforce



Marrickville Council's workforce profile at a glance

83,356 population in 2014

Metro council



How did your headcount and employee costs change from FY13 to FY14?

1.0%

Growth in headcount



3.0%

Growth in employee costs



Who joined and who left your council during FY14?

12% Staff turnover rate



76 New starters

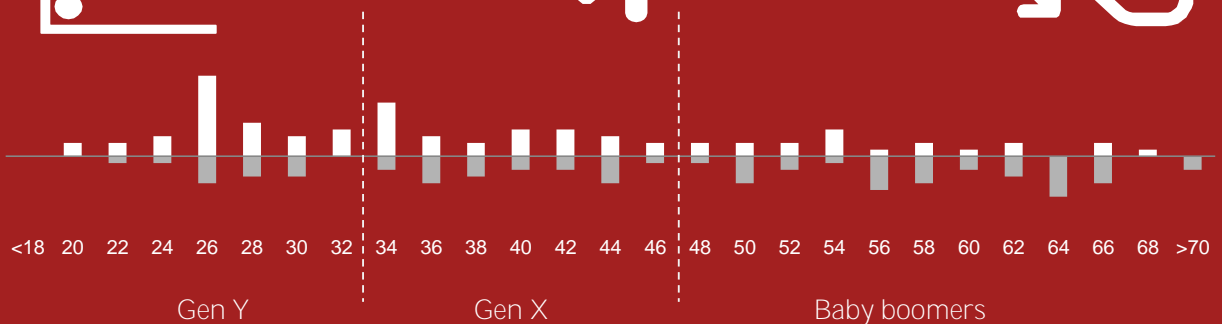


64 Leavers



New starters

Leavers



Does your council have a gender-diverse workforce?

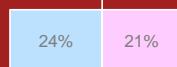
53% of your employee headcount is female



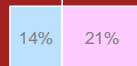
40% of your employees at manager level and above are female



Baby boomers (1943–1966)



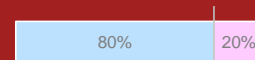
Generation X (1967–1980)



Generation Y and younger (post 1980)



General manager and Director



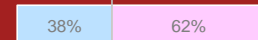
Manager



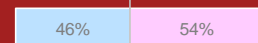
Team leader



Supervisor



Other staff



■ Male ■ Female

Workforce trend summary

Marrickville Council

Metric	Council	Round 1	Round 2	Change from round 1 to round 2
1. Remuneration as percentage of expenses	Marrickville Council	49%	51%	▲+2%
	Survey Population	37%	36%	▼-1%
2. Overtime as a percentage of salary and wages	Marrickville Council	4.0%	4.3%	▲+0.7%
	Survey Population	3.6%	4.1%	▲+0.1%
3. Span of control (employees per manager)	Marrickville Council	4.2	4.4	▲+0.2
	Survey Population	3.5	3.5	■ -
4. Rookie rate (percentage of new employees in past 2 years)	Marrickville Council	19%	20%	▲+1%
	Survey Population	19%	17%	▼-2%
5. Staff turnover rate	Marrickville Council			▼-2.8%
	Survey Population	14.3%	11.5%	▼-0.7%
6. Turnover rate in first year of employment (exc casuals and fixed term contract employees)	Marrickville Council		26%	
	Survey Population		17.9%	
7. Gen Y turnover rate	Marrickville Council	25%	20%	▼-10%
	Survey Population	21%	15%	▼-1%
8. Female turnover rate	Marrickville Council			▼-3%
	Survey Population	13%	10%	■ -
9. Female managers and above	Marrickville Council	33%	40%	▲+7%
	Survey Population	29%	31%	▲+2%
10. Female promotion into supervisor and above levels	Marrickville Council	1.4%	1.7%	▲+0.3%
	Survey Population	0.8%	0.7%	▼-0.1%

Workforce trend summary (continued)**Marrickville Council**

Metric	Council	Round 1	Round 2	Change from round 1 to round 2
11. Baby boomer employees	Marrickville Council	51%	49%	▼-3%
	Survey Population	49%	46%	▼-2%
12. Gen X employees	Marrickville Council	35%	35%	■ -
	Survey Population	32%	33%	▲+1%
13. Gen Y employees	Marrickville Council	17%	19%	▲+3%
	Survey Population	16%	18%	▲+1%
14. Workforce with more than 8 weeks of accrued annual leave	Marrickville Council	13%	12%	▼-2%
	Survey Population	12%	11%	■ -
15. Workforce with more than 12 weeks of accrued long service leave	Marrickville Council	28%	28%	■ -
	Survey Population	24%	24%	■ -
16. Workforce with sick leave taken higher than the median	Marrickville Council		50%	
	Survey Population		50%	■ 0%
17. Actual training spend per FTE	Marrickville Council		\$1,540	
	Survey Population		\$935	
18. Supervisors and above with a formal annual performance appraisal	Marrickville Council	100%	100%	■ -
	Survey Population	86%	86%	■ -
19. Productivity quadrant	Marrickville Council	Aggressive growth	Prudent growth	Changed to prudent growth
	Survey Population	17% (Aggressive Growth)	37% (Prudent Growth)	
20. Lost time injury days per 100 employees	Marrickville Council	51	45	▼-1
	Survey Population	10	10	▼-6

Workforce structure and cost impact

Remuneration

Remuneration – comprising employee pay and benefits – continues to be a dominant cost, which is not surprising given the service-based nature of local government. When analysing the change between the 2013–14 and 2012–13 financial year, our survey results show a slight decline in our ‘share of total expenses’ measure. The median council employee remuneration now comprises 37% of total expenses from continuing operations, compared to 36% in the prior year. This slight decline is evident in the regional and rural councils, while metro councils have remained static. Despite the slight decline, people costs remain a major component of expenditure, highlighting the importance of having the right talent in place to deliver effective results for councils.

Overtime

As a proportion of total salaries and wages, the median council spend on overtime for permanent and fixed-term contract employees, continues to be around the 4% mark. If we use overtime expenditure as an important indicator of efficient resourcing, then metro councils have the lowest percentage, hovering around 3%. However, this may be partly due to the fact that metro councils typically have a larger resource pool to draw on when workloads increase.

It is interesting to note that over the past **three financial years, rural councils’** overtime percentage has been trending downwards, from 4.6% (in the 2011–12 financial year) to 4.2% in the 2013–14 financial year. There are circumstances where overtime can represent an efficient allocation of resources – especially when dealing with seasonal fluctuations in workloads. We encourage all councils to remain vigilant when it comes to council overtime expenditure, as it can become a drain on council funds if not managed carefully.

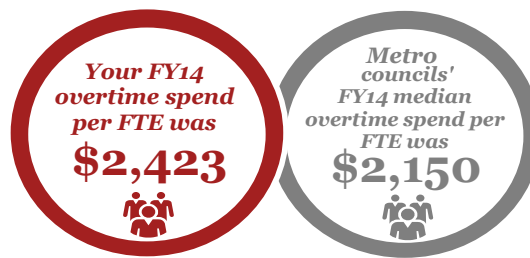


Figure 1.1: Remuneration as a percentage of total expenses from continuing operations

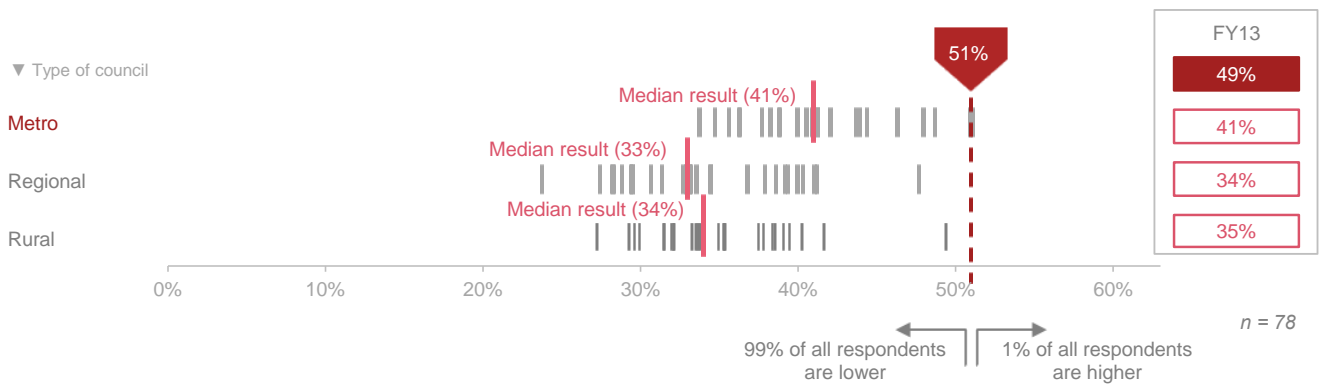
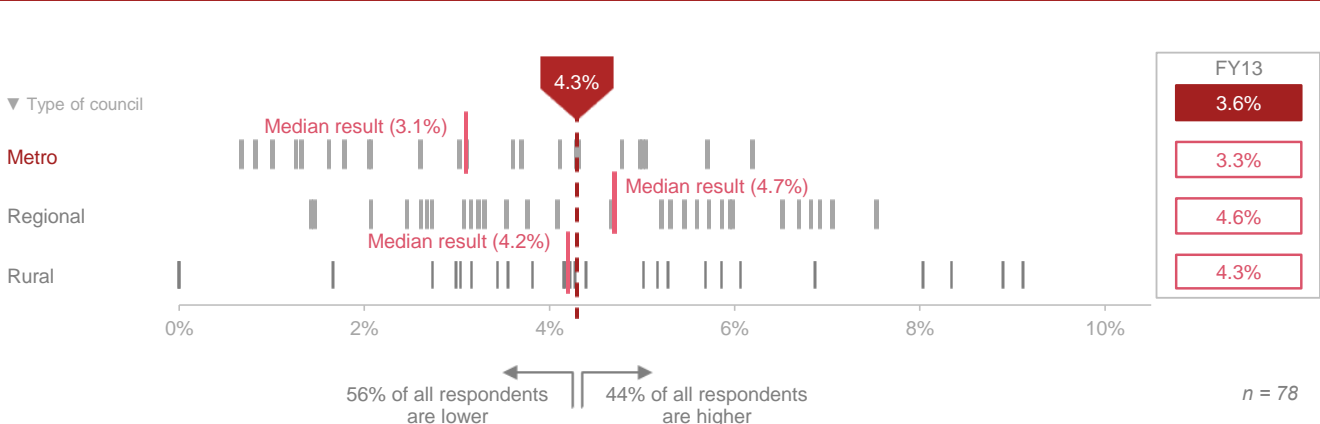


Figure 1.2: Paid overtime as a percentage of total salary and wages



Survey population | Median | Marrickville Council

Workforce structure and cost impact (continued)

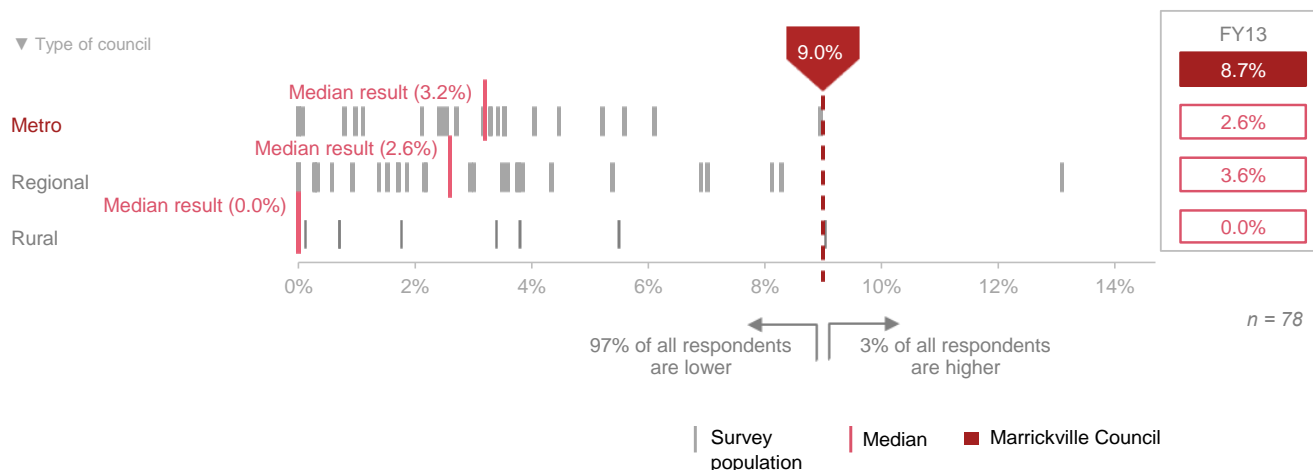
Agency staff

The use of agency staff can significantly impact workforce-related costs if not managed carefully. It is important for councils to monitor this cost and update policies and procedures, regarding the use of agency staff to meet current and future business requirements. Regional councils appear to have applied this mindset; their median spend on agency staff as a percentage of total employee costs has fallen to 2.6% (down from 3.6% in the prior year). However, metro councils are moving in the opposite direction, trending upwards with a median of 3.2% (up from 2.6% in the prior year).

Key considerations

- Are market forces putting pressure on your workforce model?
- Does your council correctly balance the investment in its own workforce versus flexible resourcing options?
- Do you regularly monitor overtime and agency staff expenditure?

Figure 1.3: Agency staff spend as a percentage of total expenditure on employees and agency staff



Organisational design

Span of control

Structuring resourcing requirements with a focus on maintaining the optimal size of management will continue to play a key role in the future. Local government will be looking to reduce any excessive costs, improve the speed of decision making, support staff development and, importantly, enhance responsiveness to market changes. 'Span of control' can be used to monitor management overhead, as it measures the number of employees as a ratio to the management population. When calculating this metric, we include supervisors and above within the management population.

Our survey reveals there has been little movement across the survey population in the past year; the median of 3.5 employees per manager remains unchanged. This is low compared to the global PwC benchmark¹, which suggests that 6 employees per manager is achievable, even in the most specialised technical industries.

Looking across the local government sector, there is inconsistency in the 'span of control' metric. Large councils have the most employees per manager, with a median of 4.6 employees per manager (up from 4.5 in the prior year). While geographic location and scale of operations may allow large councils to lead the way, it is still encouraging to see these councils moving in the right direction towards more direct reports per manager.

Narrower spans of control are still prevalent in medium-sized and small councils, although medium-sized councils are starting to make slight improvements, having increased the median of 3.4 to 3.5 employees per manager during the 2013–14 financial year. Small councils have the most room for improvement, with a median of 2.4 employees per manager (down from 2.9 in the prior year). The divergent trend means that managers in small councils now have 2.2 fewer employees to manage compared to large councils – or to put it another way, there are just over 50% more managers in small councils, given the same size of the overall workforce.

In stable workforces, avoiding 'grade inflation' requires constant vigilance. Councils that have narrowed their span of control metric or moved further below the median in the past year should examine their current workforce structure and consider whether the extra layers of management are an essential requirement for their future business model, especially considering the drive for increased efficiencies in the sector.

Key considerations

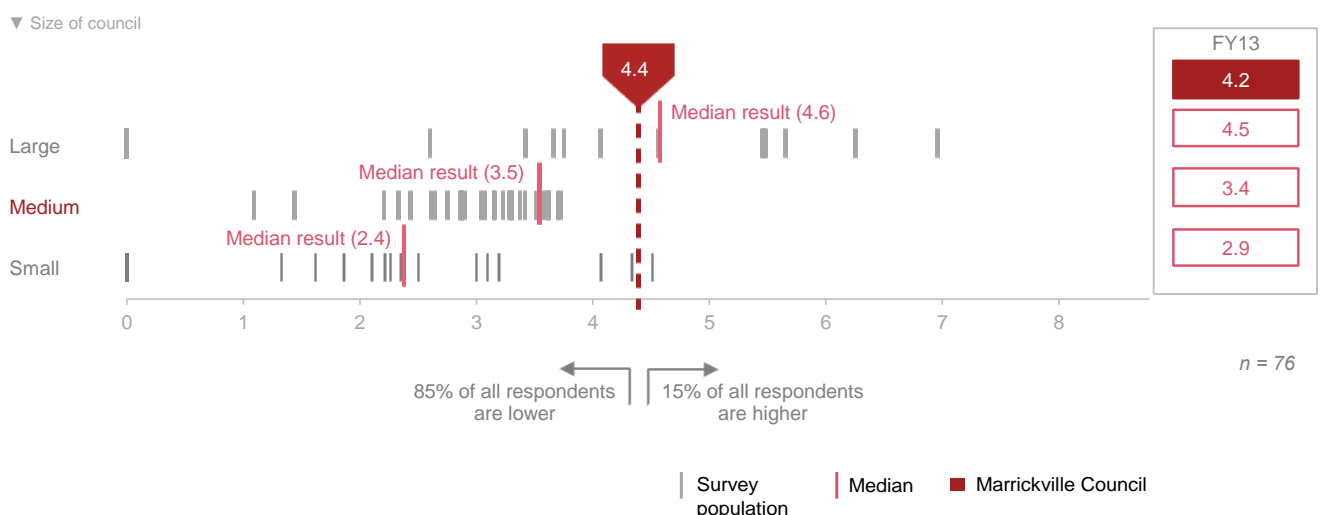
- What is the right organisation design for your current and future business model, and how does this translate to an optimal span of control?
- Does your council have adequate specialist staff members to deliver the services it has committed to?
- Are there opportunities to broaden the roles of managers so they can operate at a high capacity across a range of areas, while strengthening career paths and skills?

Definition

Span of control: Total number of employees per manager (defined as supervisors and above).



Figure 1.4: Span of control (number of employees per manager)



¹ PwC Saratoga – PwC's global HR benchmark database 2013

Don't fall short on new talent

Rookie rate

The proportion of employees who are new to councils (and possibly local government) has declined between the 2012–13 and 2013–14 financial years. The 'rookie rate' continues to be relatively low, at 17% (down from 19%). This also links to the lower turnover rate in local government, and suggests that vacated roles are being filled internally rather than externally, or in some cases are not being filled at all.

The median rookie rate for 'other staff' now shows 18% of people in these levels having two years or less experience in a council, compared to 21% in the prior year. This indicates that there were fewer new hires within this level in the 2013–14 financial year, compared to the prior year. The median management rookie rate has slightly dropped from 12% to 11% of council employees at supervisor level or above have two years or less experience in a council. While it is desirable to have a stable workforce, especially when it comes to retaining organisational knowledge and experience, now is the time for local government to embrace new ways of working, by fostering fresh, innovative ideas and introducing new capabilities.

Attracting and developing the right mix of talent is critical as local government

responds to market changes, emerging customer needs and digital transformation. The talent management strategy needs to reflect a good mix of talent which means employing people who can think and work in different ways. Creating a workforce with people who can imagine, as well as execute or implement; are all-rounders or deep specialists; and can lead cross-functional teams and initiatives will set councils apart in the future. The 2015 PwC Global CEO Survey, which surveyed 1,322 global CEOs, highlights that skills are at the top of CEO's talent agenda, with 81% of CEOs now seeking a much broader range of skills than in the past.²

Key considerations

- Is your council brand attracting the right mix of talent?
- Are you developing a talent management strategy that responds to market changes, emerging customer needs and digital transformation?
- Are you carefully considering appropriate recruitment strategies to attract new talent?

Corporate Services

Our survey shows a similar trend for the corporate services functions, which have a lower proportion of employees who are new to councils. The exception is customer service, with slightly more new employees: 21% in the 2013–14 financial year, compared to 20% in the prior year. Areas such as finance have remained flat, with 16% of employees having less than two years' service, whereas HR has dropped significantly from 25% to 20% and IT is down, now at 17% compared to 19% last year.

We acknowledge that the impact of the reform agenda may be affecting the way potential new recruits view local government. However, there is clearly an increasing need for talented people with skills across finance, HR and IT to join the sector, which is why councils should be assessing their current talent management strategies for these corporate service areas. Establishing a structured plan on how best to attract employees with these vital skills into local government should be front of mind for every council if they are going to be successful in this new environment.

Figure 1.5: Rookie rate by staff level (proportion of staff who commenced in the past two years)

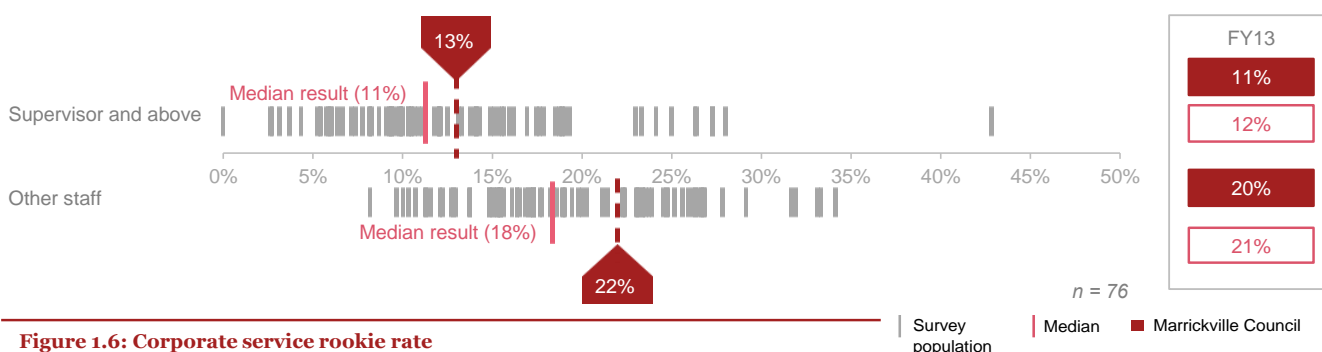
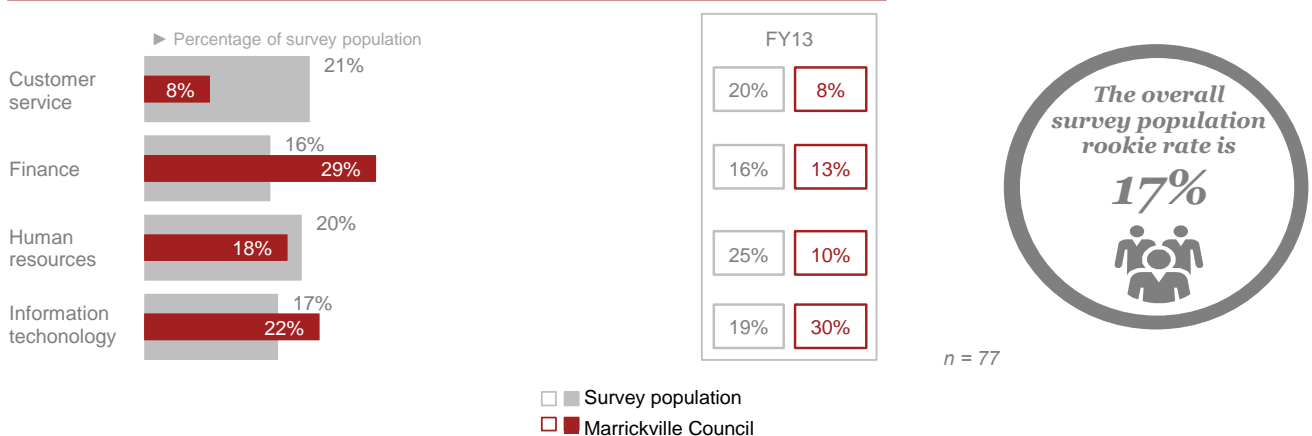


Figure 1.6: Corporate service rookie rate



² PwC, 2015, 18th Annual Global CEO Survey, 'A marketplace without boundaries? Responding to disruption'.

Are you striking the right balance between retaining and refreshing your people?

Staff turnover

Our survey shows that the overall median for staff turnover in the 2013–14 financial year is trending downwards from 11.4% to 10.7%. Our concern is that while most organisations aspire to achieve a downward trend in the turnover rate year on year, councils with a turnover rate on or around such a low median can find it to be counterproductive. A low turnover rate can limit opportunities to promote key internal talent or hire employees with new and diverse skills.

Our analysis by type of council highlights that the median turnover rate in metro councils continues to hover just below 12%. The turnover rate for rural councils has plummeted to a median of 8.9% (down from 11.6%), suggesting limited movement in the past year. Regional councils are the exception, with a higher median turnover rate compared to last year, moving from 10.5% to 11.3%.

Excluding fixed-term contract employees from the turnover rate, the overall median for the survey population drops slightly to 10.0%.

A moderate level of turnover can help prevent employee stagnation. It can also reduce staff costs in cases where long term employees attain seniority benefits that exceed the level required to perform the role.

Definition

Turnover rate: Total number of leavers divided by the headcount at the start of the year (excluding casuals).

Key considerations

- Are you reviewing your induction program on an annual basis ensuring it meets the needs of new starters?
- Have you developed an employee value proposition and shared it with existing employees and future recruits?
- Do you conduct exit interviews to better understand why your staff are leaving?



Figure 1.7: Staff turnover rate

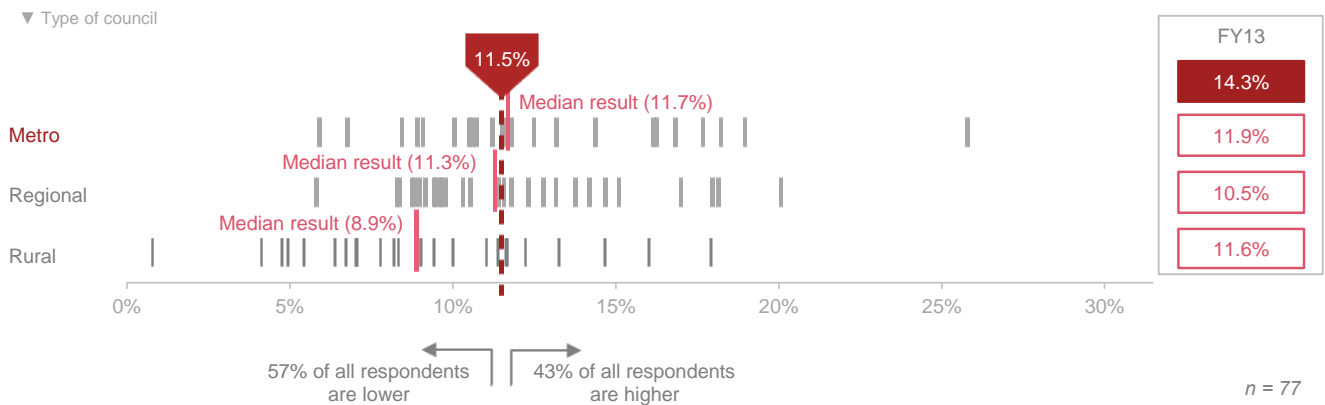
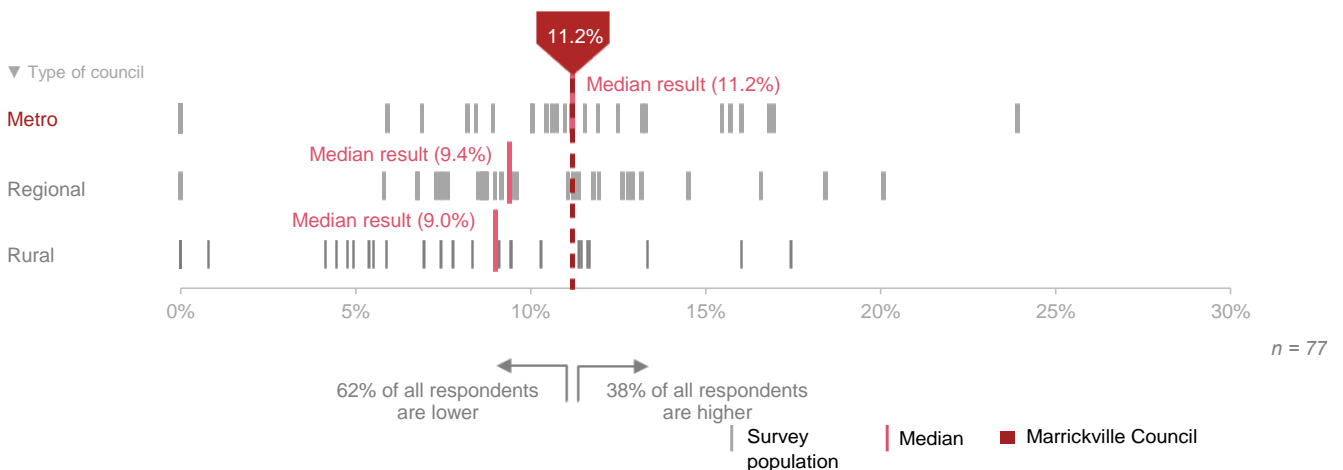


Figure 1.8: Staff turnover rate (excluding fixed-term contract employees)



Turnover rate for employees in their first year of employment

Staff turnover in the first year

An indicator of the quality of hire is the turnover rate in the first year of employment. An employee leaving within the first year of employment, either voluntarily or involuntarily, signifies a poor fit.³ When assessing the turnover rate in year one, we have excluded fixed-term contract employees from the calculation. Within local government, the median turnover rate of employees in their first year (excluding fixed-term employees) is significantly higher, at 17.9% compared to the overall equivalent turnover rate of 10.0%.

This indicates that retaining new recruits is a serious issue for local government. Councils may be facing a mismatch in their external and internal employer brand, especially when it comes to attracting and retaining female and Gen Y employees.

Metro councils are almost twice as likely to lose employees in their first year of employment compared to rural councils, with a median first-year turnover rate of 24.0%, compared to 12.5% in rural councils.

Any council with a high turnover rate for employees in their first year of service should be looking deeper into employee engagement levels. This should allow councils to better understand the possible shortfall in the employee value proposition and why they may be struggling to retain new recruits.

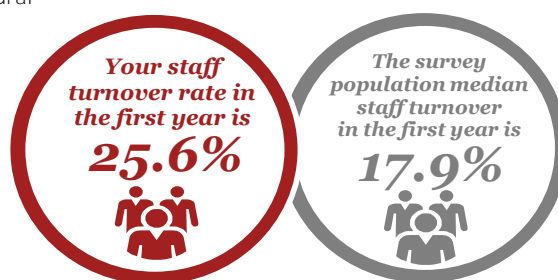
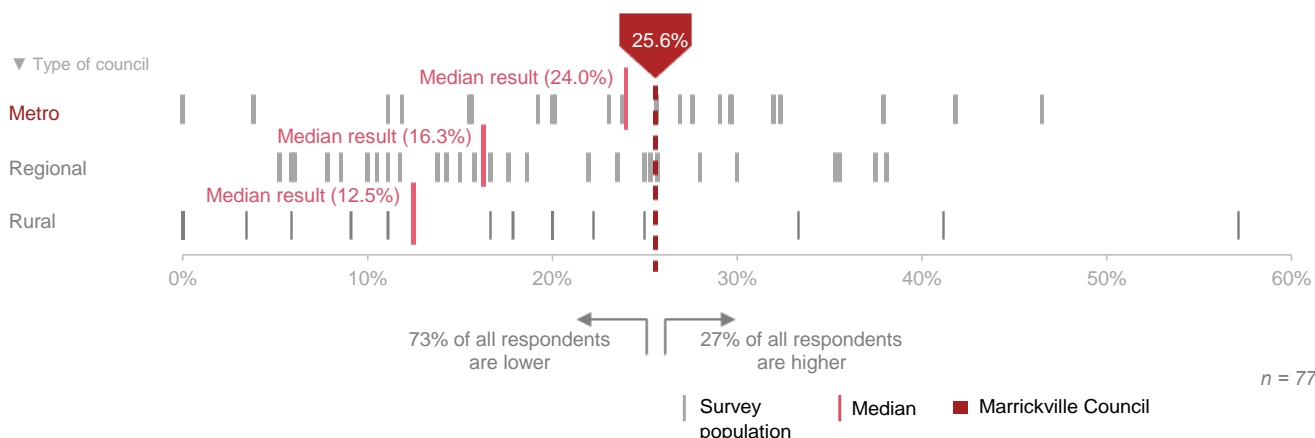


Figure 1.9: Staff turnover rate in the first year (excluding fixed-term contract employees)

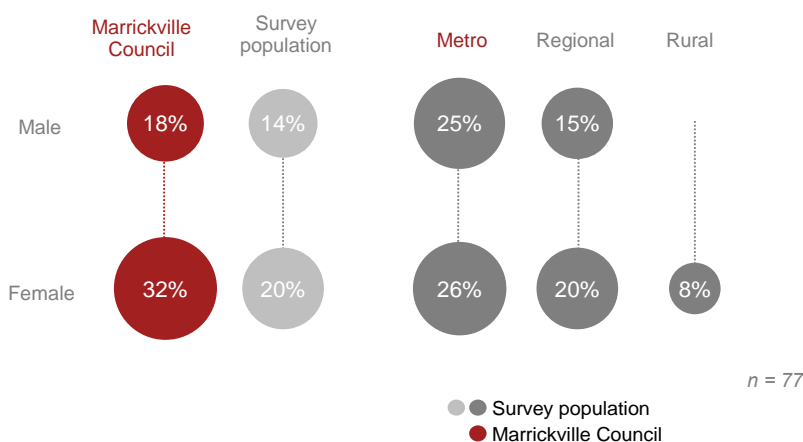


Female turnover in the first year

The median turnover rate for female staff members in their first year of service (20%), compared to male equivalents (14%), indicates that female employees are 1.4 times more likely to leave local government in their first year of employment. This is more pronounced in regional and rural councils. While metro councils lose only slightly more females (26%) compared to males (25%) in the first year, they have a far higher turnover rate in the first year, compared to regional and rural councils.

These results indicate the challenges in retaining female talent in the first year, and with the focus on improving gender diversity in local government, further action may be required when it comes to offering more flexible career options and mentoring programs.

Figure 1.10: Median gender turnover rate in the first year (excluding fixed-term contract employees)



³ PwC Saratoga 2013–14 State of the Workforce Report, 'Results from PwC Saratoga's 2013–14 US human capital effectiveness report'.

Turnover rate for employees in their first year of employment (continued)

Gen Y turnover rate in the first year

Figure 1.11 shows further analysis of leavers in their first year of employment by generation. The results are stark and reveal that all types of councils have trouble retaining Gen Y employees in their first year of employment.

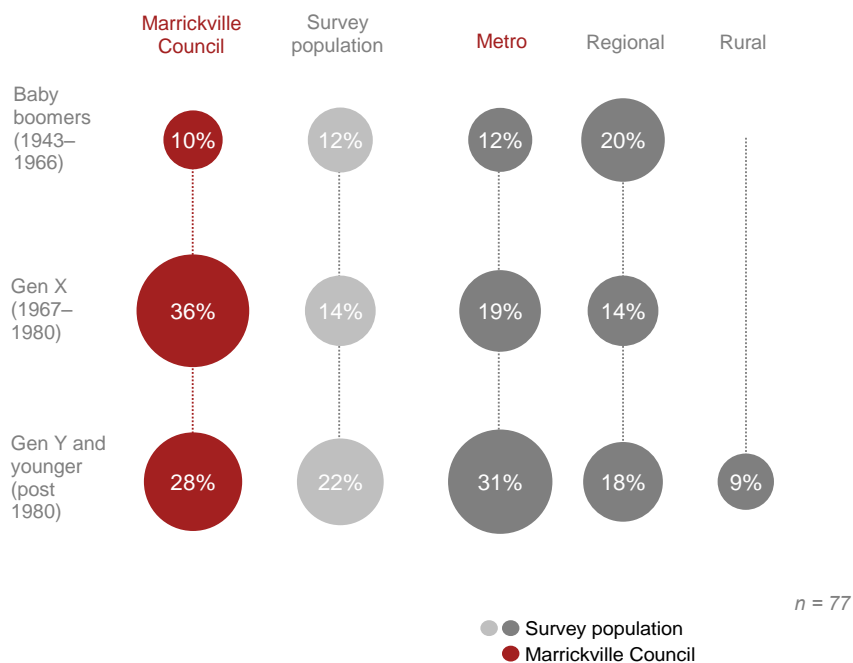
The median turnover rate for Gen Y employees in their first year of employment is 22%, compared to 14% for Gen X and 12% for baby boomer employee equivalents. This indicates that Gen Y employees are 1.6 times more likely to leave in their first year of employment, compared to Gen X and 1.8 times more likely than baby boomer employees.

In 2013, PwC, the University of Southern California and the London Business School announced the results of a unique and unprecedented two-year global generational study, which included more than 40,000 responses.⁴ The survey observed the various forces influencing Gen Y employees in the workforce.

The following are some of the key considerations identified when looking at the retention of Gen Y employees:

- **Flexible work culture:** Consider adopting policies that promote more flexible work locations and schedules.
- **Fully leverage technology:** Accelerate the integration of technology to create more flexibility and efficiency. Gen Y employees expect to have access to the best tools for collaboration and execution.
- **Build a sense of community:** Emphasise teamwork, appreciation and support from supervisors and managers, ensuring they provide honest, real-time feedback.
- **Engaging work:** Offer work that is interesting and meaningful, and provide support for development.

Figure 1.11: Median generation turnover rate in the first year (excluding fixed-term contract employees)



⁴ PwC, 2013, PwC's Next Gen: A global generational study, 'Evolving talent strategy to match the new workforce reality'.

Who is leaving your council?

Staff turnover in detail

We have further analysed the type of employees that are leaving local government to pursue other opportunities. These turnover calculations include all employees.

We have demonstrated that the churn in Gen Y leavers in their first year of employment is significantly higher than Gen X and baby boomer employees. We continue to witness this trend when comparing the overall churn in Gen Y compared to other generations; the Gen Y median turnover rate is 20%, down from 21% in the prior year. By comparison, councils only lost 8% of baby boomers (down from 9% in the prior year) and 10% of Gen X employees (unchanged).

This trend continues to indicate that Gen Y employees are twice as likely to leave a council, compared to Gen X employees and 2.5 times more likely than baby boomer employees.

Interestingly, our survey reveals that in the 2013–14 financial year, senior management churn (general managers, directors and managers) spiked, increasing from a median of 8% to 11%. Team leader median turnover slightly increased from 5% to 7%, while the turnover rate for supervisors and other staff remained broadly consistent compared to the prior year.

The overall churn in female employees remains higher compared to males – a median of 13% compared to only 10% for male employees, both of which remain unchanged. Considering that women attain higher levels of education, a higher female turnover rate is concerning.

Based on data from the Australian Bureau of Statistics, 39.2% of women aged 25 to 29 have achieved a bachelor degree or above, compared to 31.8% of men of the same age.⁵ This is consistent with the most recent ACELG report⁶, where local government female employees were also found to be more highly educated than their male counterparts.

Councils should seek out opportunities to enhance career development prospects for current and future female managers. Councils are encouraged to recognise the pool of talent in this existing group of employees and develop strategies to support female managers applying for future leadership roles, many of which will become vacant over the next five to 10 years due to impending retirements within senior positions.

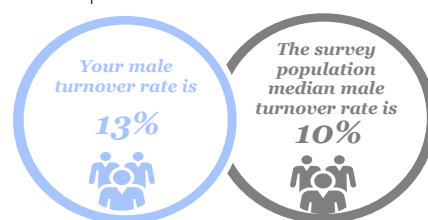
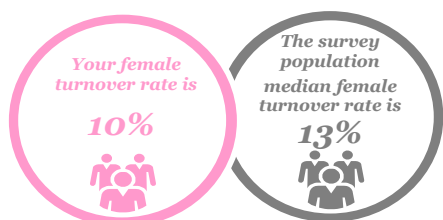


Figure 1.12: Turnover rate by generation

Figure 1.13: Turnover rate by tenure

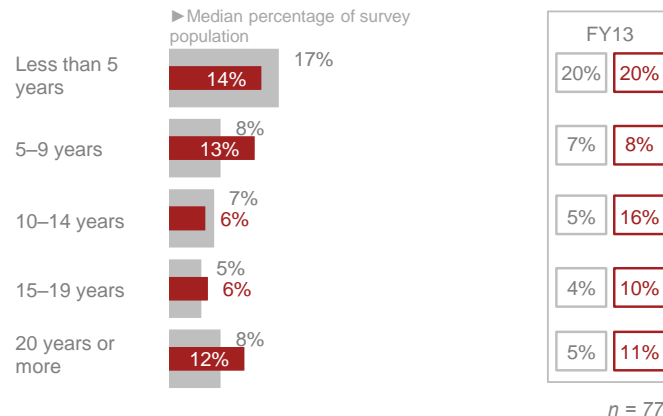
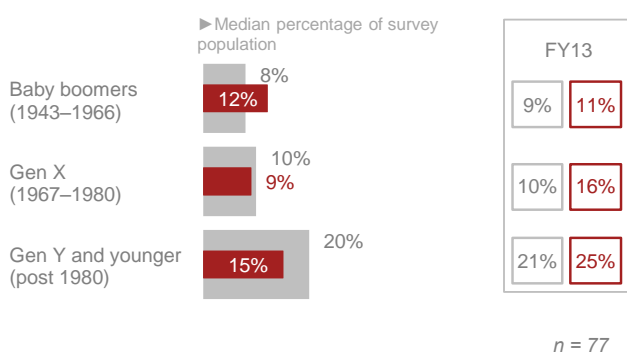
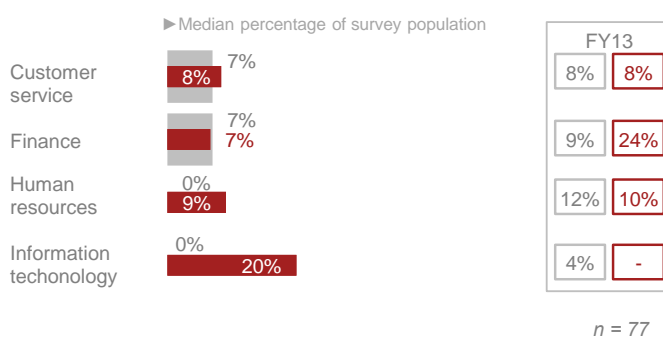
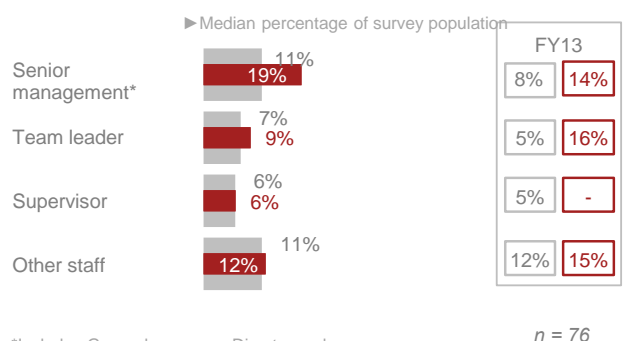


Figure 1.14: Turnover rate by staff level

Figure 1.15: Turnover rate by corporate service area



*Includes General manager, Director and Manager

■ Survey population
■ Marrickville Council

⁵ Workplace Gender Equality Agency (WGEA), February 2014, 'Gender workplace statistics at a glance'.

⁶ Australian Centre of Excellence for Local Government (ACELG), February 2015, 'Profile of local government workforce'.

Talent diversity

Gender diversity

According to PwC’s most recent global CEO survey, about three-quarters (77%) of surveyed CEOs have or plan to adopt a diversity and inclusiveness strategy, and many see a clear link between diversity and the bottom line. Investing in these formal strategies helps to broaden the mix of talent by creating an environment that allows diverse talent to succeed. A formal diversity strategy ultimately develops leaders from various backgrounds, who can think and work in different ways.⁷

This key finding highlights the importance of talent diversity and the role it plays in many global and national businesses. Local government is no exception, especially as a diverse workforce is more likely to reflect broader community views, allowing councils to better understand community needs and deliver anticipated outcomes. We encourage councils to consider adopting a diversity and inclusiveness strategy that encompasses gender, ethnicity, nationality, race, disability and age.

It is encouraging to see that the local government sector continues to be an inclusive workplace for women, who now represent 41% of the workforce, up from 40% the previous year. Metro councils continue to have the highest rate of women in their workforces, at 45% (unchanged from the prior year). This is followed by rural councils at 38% (up from 35%), and regional councils at 37% (unchanged).

The challenge many organisations face is how to ensure female employees have the opportunity to progress into senior management roles. Based on the data collected by the Workplace Gender Equality Agency, from Australian companies that form the S&P and ASX 100, we know that it is very difficult for women seeking promotion from management to key management personnel levels⁸, where only 26.1% of employees are women.⁹

In local government, we can see that the proportion of female staff members at the more junior levels is reasonable, at 43%. However, by the time female employees reach key management personnel and CEO-equivalent levels (such as general manager and director level) this almost halves, with only 23% female representation.

The representation of women steadily declines when moving up the management levels; women comprise only 26.1% of key management personnel (KMP) positions, and 17.3% of CEO positions.¹⁰

Key results from Workplace Gender Equality Agency, November 2014

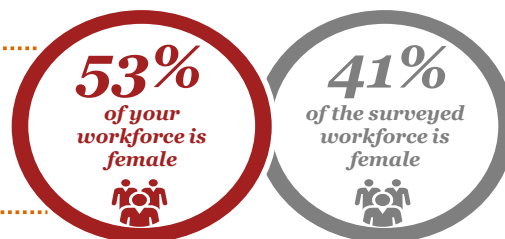
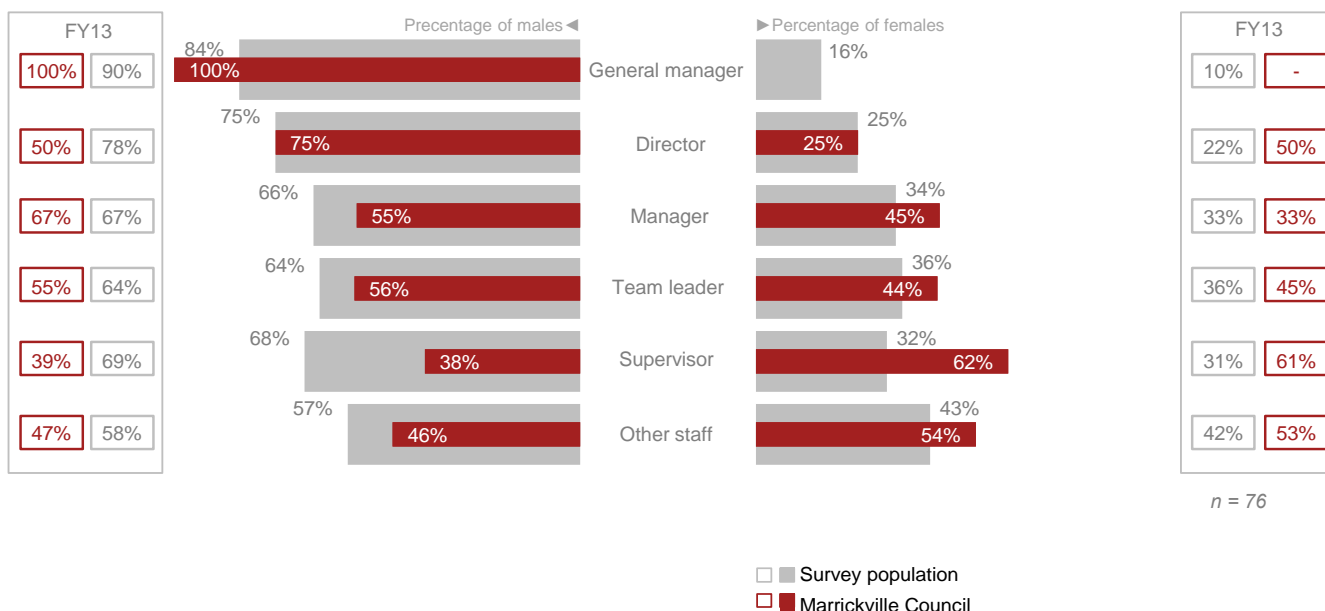


Figure 1.16: Staff-level gender split at 30 June 2014



⁷ PwC, 2015, 18th Annual Global CEO Survey, 'A marketplace without boundaries? Responding to disruption'.

⁸ KMP is a manager who represents at least one of the major functions of the organisation and participates in organisation-wide decisions with the CEO.

⁹ Workplace Gender Equality Agency (WGEA), November 2014, 'Australia's gender equality scorecard. Key results from the WGEA's 2013-14 reporting data'.

¹⁰ Ibid.

Talent diversity (continued)

Gender diversity in senior levels

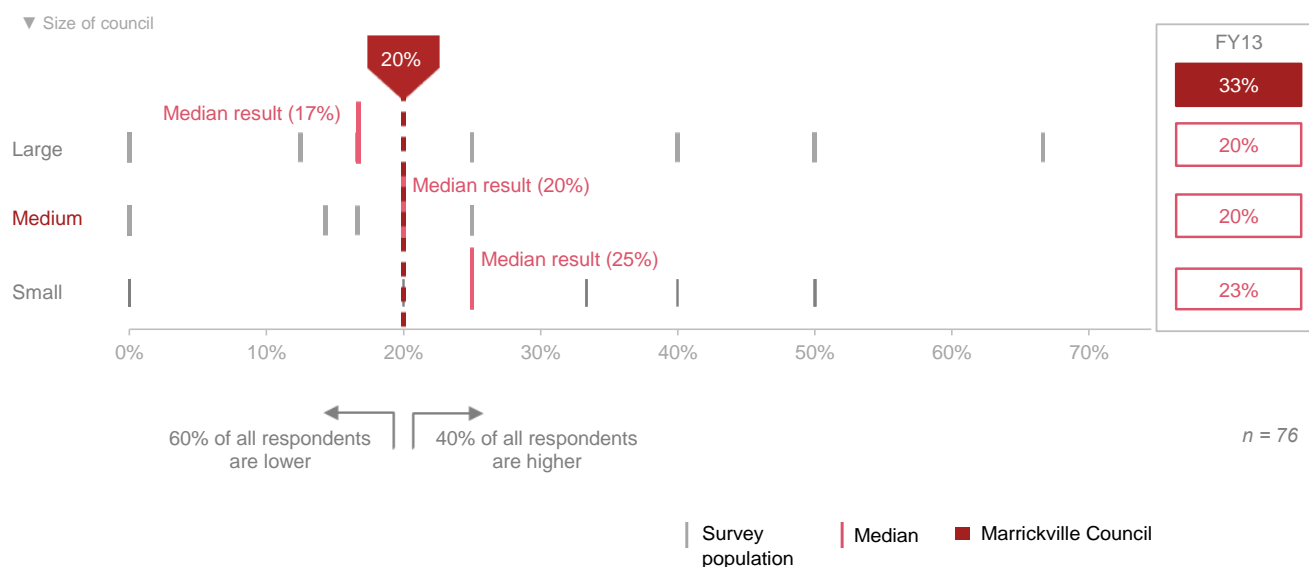
Looking more closely at female representation at the general manager and director levels, we see that small councils now have a median of 25% women (up from 23%), and medium-sized councils have retained a median of 20% female general managers and directors. By comparison, large councils have the most opportunity to improve in the years to come, especially considering the potentially higher volume of senior roles becoming available. Large councils continue to have lower gender equality, with a median result of only 17% female representation at the general manager and director levels (down from 20% in the prior year).

How should councils, especially large councils, continue to address the gender imbalance at the senior level? One way is to develop recruitment strategies that require equal representation for senior roles, both for candidates and the selection panel. In addition, it is vital to examine the existing pipeline of female employees in the levels below, and develop strategies to implement or enhance flexible working practices and mentoring and training programs. These strategies should create a cultural shift in potentially antiquated promotion and recruitment processes.

Key considerations

- Do you have a strategy for optimising your council's mix of talent using diversity as a key lever?
- How are you developing your approach to diversity and inclusiveness?
- How is your senior management team ensuring that your council has access to the skills it needs now and into the future?
- Does your system of measuring talent include a focus on gender diversity?

Figure 1.17: Proportion of female employees at general manager and director levels



Talent diversity (continued)

Pipeline of female employees

So what is the pipeline of female staff members in local government? Across the survey population, we can see slight growth in the proportion of female managers and above, with a median of 31%, up from 29% in the prior year. Small councils are leading the way with a median of 33% female managers and above, compared to 28% in large councils.

Figure 1.18 highlights the fact that women face more challenges transitioning from the team leader to manager level in large and medium-sized councils, compared to small councils. The proportion of females in large councils range from 34% team leaders down to 29% of managers, and in medium-sized councils females comprise 38% of team leaders but this drops to 34% of managers. In contrast, small councils are close to achieving gender equality at the manager level, with 48% female managers, although it is important they remain focused on the next level down, where only 26% of team leaders are women.

All this suggests there is ample opportunity for councils to take on the gender imbalance challenge. We encourage general managers and directors, in conjunction with HR, to develop action plans that support this group of female managers and team leaders so they have the opportunity and confidence to transition to the next level.

Equally important is for councils to consider whether their pipeline of female employees is expanding or contracting. Across the survey population, female representation at the manager, team leader and supervisor level has stagnated, with little or no growth during the 2013–14 financial year.

Later in the report, we go on to explore recruitment and promotion within the local government sector, and to examine other challenges in attracting and promoting key talent. This highlights the importance of providing enhanced career opportunities and flexible working practices to retain women who wish to pursue future leadership roles.

Figure 1.18: Percentage of female employees by staff level

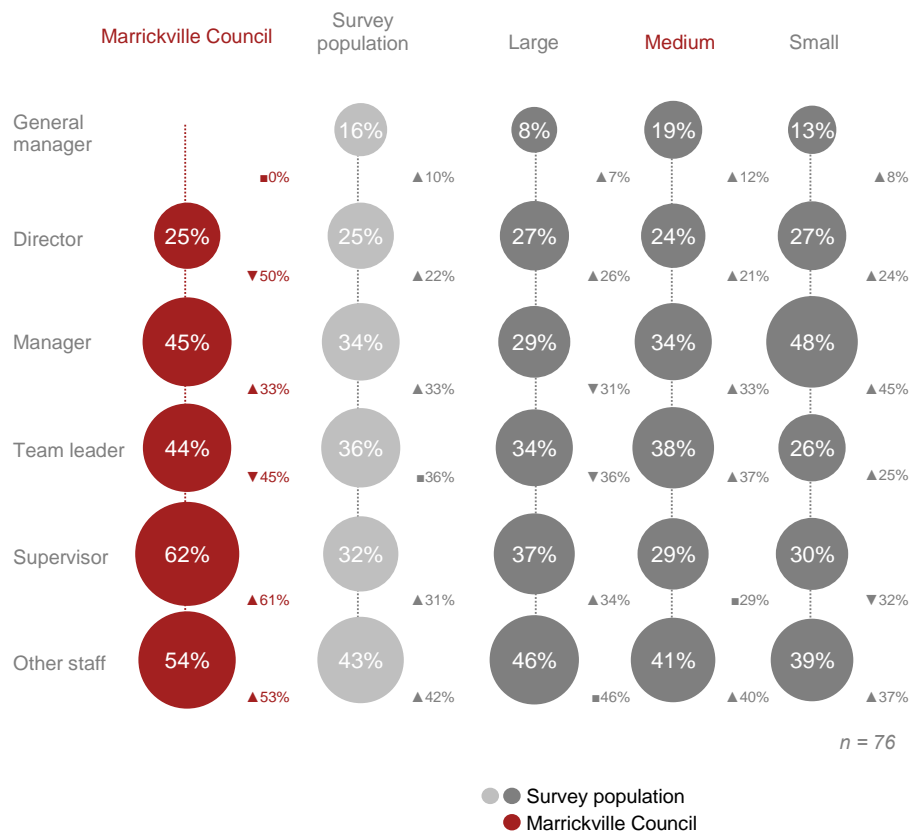
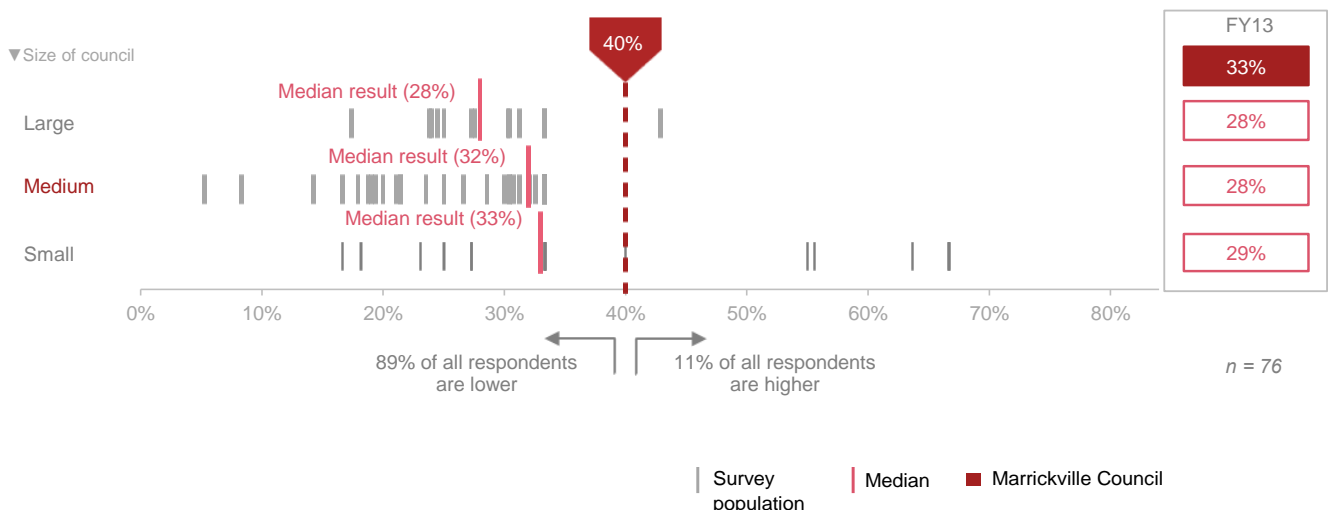


Figure 1.19: Proportion of female employees at manager level and above



Talent diversity (continued)

Corporate service areas

Women continue to be over-represented within customer service, finance and HR, and under-represented in IT. They account for more than three-quarters of total employees in customer service and HR, while in finance two-thirds of employees are women. IT continues to have a gender bias towards male employees; only 38% of IT employees are women.

Of your council's corporate service areas, females account for the following proportions

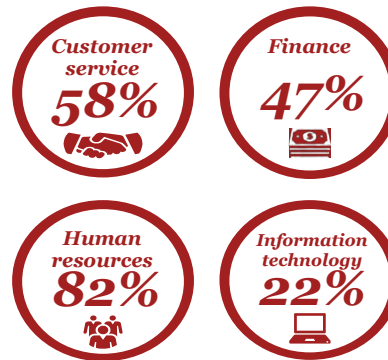
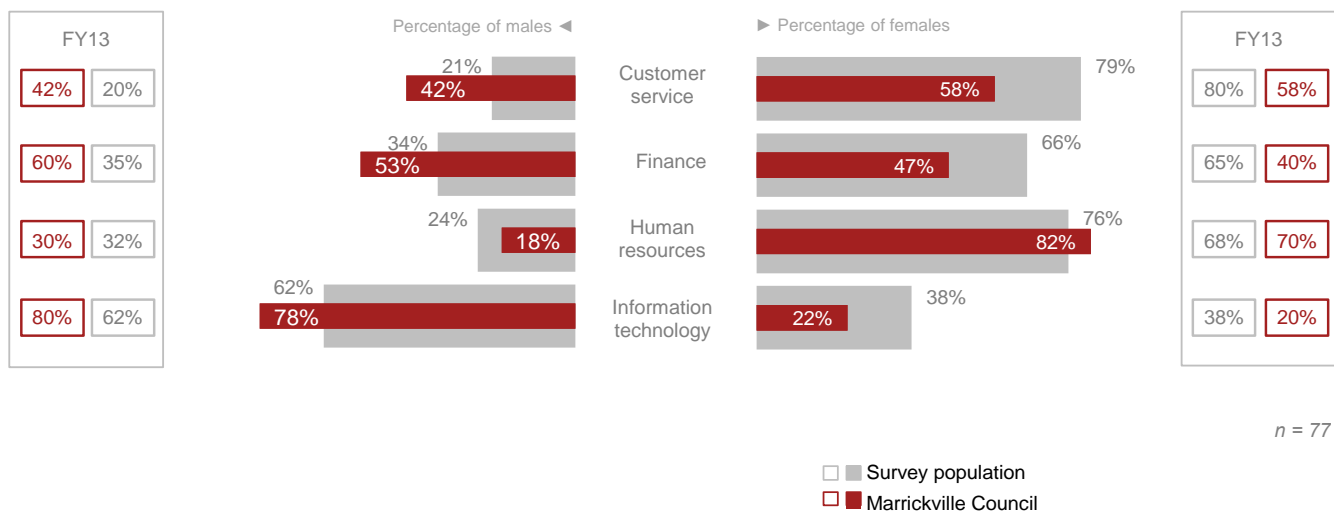


Figure 1.20: Corporate service area gender diversity



Why you need a recruitment strategy

Recruitment

Councils need to build an overall employment brand that showcases the benefits of working for local government. Councils need to attract key talent with a mix of skills – at both the entry and leadership levels – using a variety of successful recruitment methods, to ensure they deliver future strategic objectives within their communities.

CEOs who participated in the recent global PwC survey are using a diverse range of strategies to recruit a good mix of talent – 78% use multiple channels to find talent for their business, including online platforms and social networks, and 71% said their business actively searches for talent in different geographies, industries and demographic segments.¹¹

Our survey results continue to suggest that attracting the right talent into the sector remains challenging, with a median of 11.2 weeks elapsing before an open position is filled. However, across all types of councils, we can see a lower median ‘elapsed weeks to fill open positions’ between 1 July 2013 and 30 June 2014, compared to the prior year.

It is interesting to observe the way organisations approach recruitment for new or vacated positions. Councils need to assess whether they are able to promote from within by transferring talent across business units, or whether they need to compete for talent in the external marketplace.

Our survey shows that overall 60% of open positions were filled from outside the organisation in the 2013–14 financial year, compared to 65% in the prior year. This suggests councils have been in a better position to promote or transfer internally for open positions. However, the reliance on recruiting externally remains strong.

If this trend continues then the presence of a strong employment brand will be even more vital in enabling councils to compete for talent in the external marketplace.

Figure 1.21: Elapsed weeks to fill open positions at 30 June 2014*

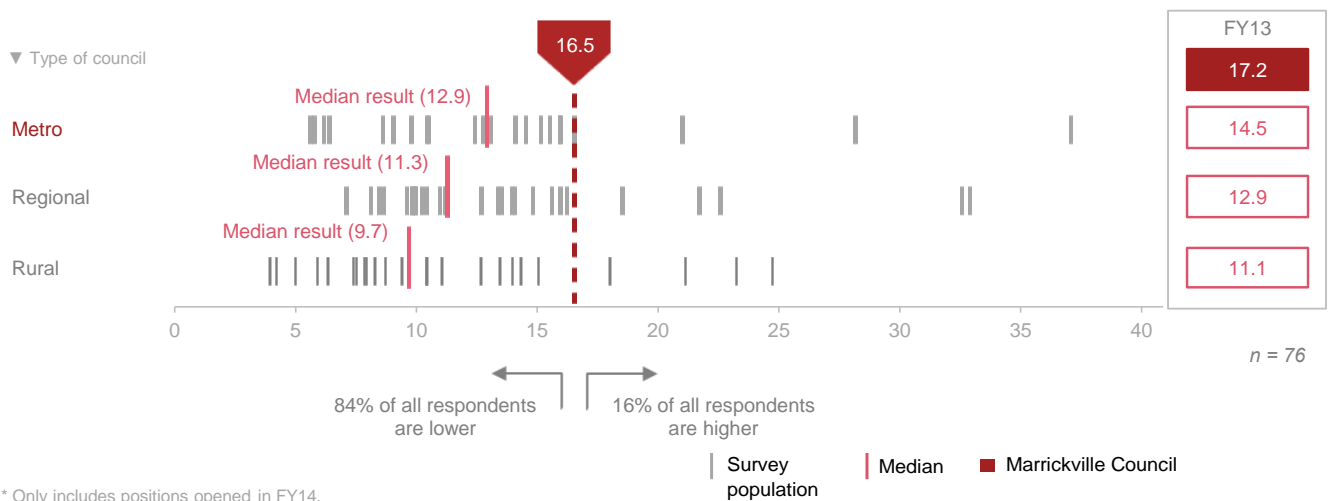
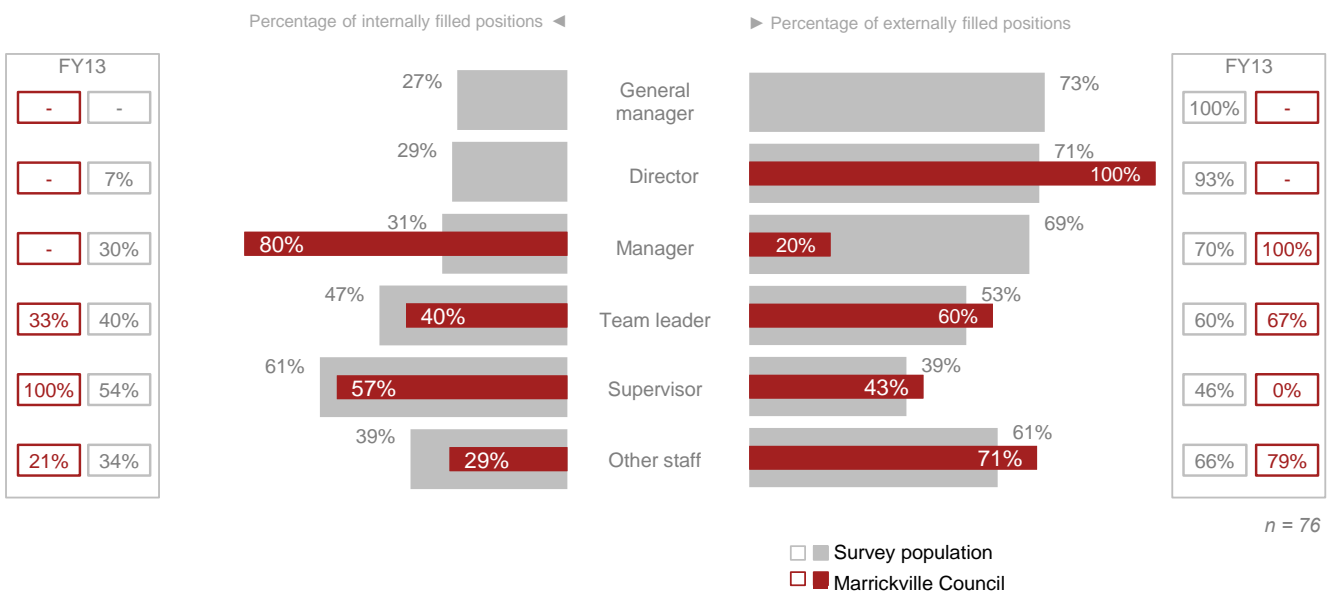


Figure 1.22: Internal and external recruitment by staff level



11 PwC, 2015, 18th Annual Global CEO Survey, ‘A marketplace without boundaries? Responding to disruption’.

Why you need a recruitment strategy (continued)

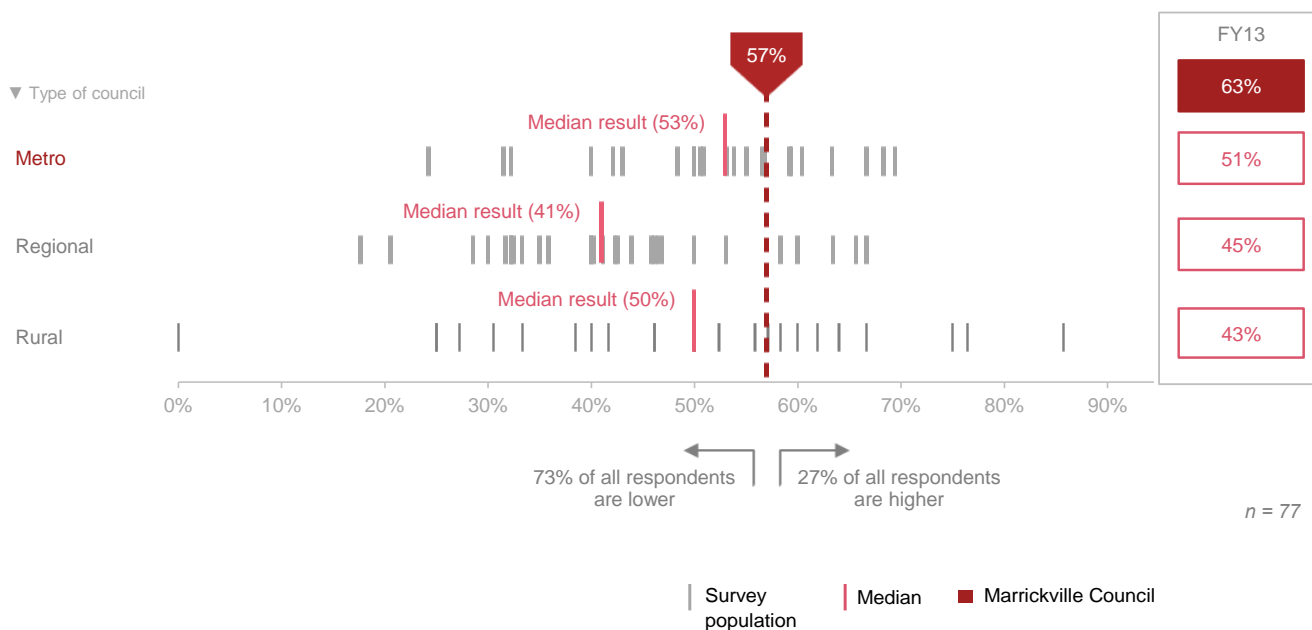
Recruitment diversity

When analysing gender diversity as part of the recruitment strategy over the past year, we see that metro councils have a higher median percentage of female new starters, at 53% (compared to 51% last year). Rural councils are exhibiting strong signs of approaching gender equality, where women make up 50% of new recruits (a significant increase from 43% last year). Regional councils may need to re-examine their recruitment strategies having recorded a decline in the number of female new starters, falling from 45% to 41% in the 2013–14 financial year.

Key considerations

- Do you have an up-to-date recruitment strategy outlining your organisational approach to finding and recruiting new staff members?
- Do you use multiple channels to find talent?
- Have you been measuring your results and do you know the most successful method for recruiting staff in your region?
- Do you have a refreshed employer brand to present to prospective employees?

Figure 1.23: Proportion of female new starters



Removing the glass ceiling

Promotions

By measuring the rate at which women are promoted into senior roles and observing these trends, councils can begin to determine the extent of change required to grow careers for women in management and leadership positions.

We acknowledge that it takes time for a diversity and inclusiveness strategy to really impact employee resourcing and promotion outcomes. Identifying any barriers to equal opportunity – such as workplace culture, lack of female leaders and managers, and gender stereotypes – and responding to these barriers with change programs are two critical first steps.

To better understand the extent of promotion equality in the 2013–14 financial year, we looked at the pool of resources at the beginning of the year and, presented in Figure 1.24, the proportion of men and women who were promoted into the supervisor level or above. The 45 degree line represents equal promotion rates for men and women.

The results for large councils indicate an equal proportion of male and female employees (0.5%) being promoted to supervisor or above, and medium-sized councils were close to equality with 0.9% of women and 1% of men being promoted to supervisor or above. However, small councils were 3.2 times more likely to promote men rather than women to the level of supervisor and above. Each council should assess whether it is actively focused on the progression of female workers within the organisation.

We have also examined the rate of promotion for female employees within different staff levels, as shown in Figure 1.25. Since our Round 1 survey in the 2012–13 financial year, councils seem to be taking a more serious approach to developing a strong leadership pipeline for female staff members.

During the 2013–14 financial year, females were promoted at a faster rate compared to males within the senior management levels of director and manager. Female directors were 1.3 times more likely to be promoted compared to males, with a promotion rate of 3.2% among female directors, compared to 2.5% for male directors. At the team leader level, promotion equality was achieved, however male supervisors were 1.2 times more likely to be promoted, compared to their female counterparts.

Key considerations

- Have you started to tackle the issue of unconscious bias, especially in regard to existing promotion processes for senior executive positions?
- How do you demonstrate to staff that diversity and promotion equality is on your senior management agenda?
- Are you developing strategies that encourage looking as widely as possible for talent?

● Survey population
 ● Marrickville Council round 2 result
 ● Marrickville Council round 1 result

Figure 1.24: Likelihood of promotion by gender into supervisor and above levels

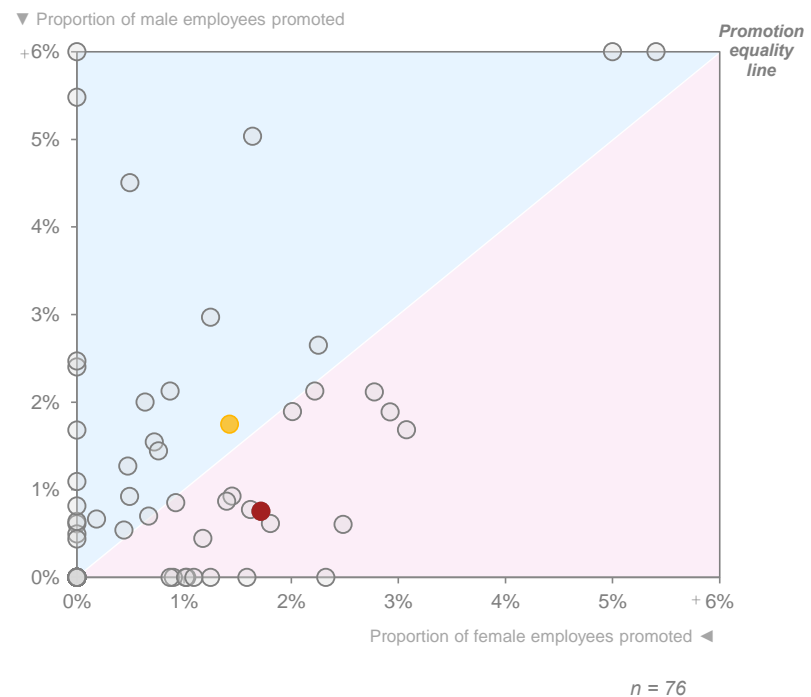
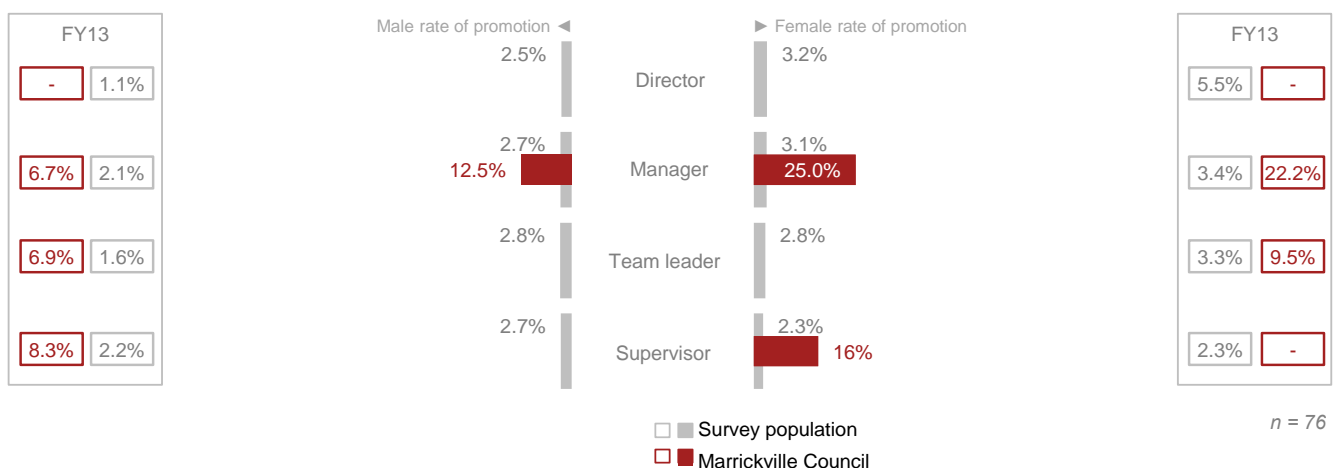


Figure 1.25: Rate of promotion – gender split by staff level



Are you leaving succession planning too late?

Generational diversity

While our survey shows that baby boomers continue to dominate the workforce, the generational shift appears to have begun; this group of employees now comprises 49% of the workforce, compared to 51% in the prior year. The shift has been shared between Gen X and Gen Y employees, with each increasing by one percentage point, now comprising 33% and 18% respectively.

There has been minimal change in the gender balance across the generations. However, given the retirements or exits among the baby boomer generation in the 2013–14 financial year, male baby boomers now comprise 32% of the overall workforce, compared to 33% in the prior year.

Figure 1.26: Generational headcount mix

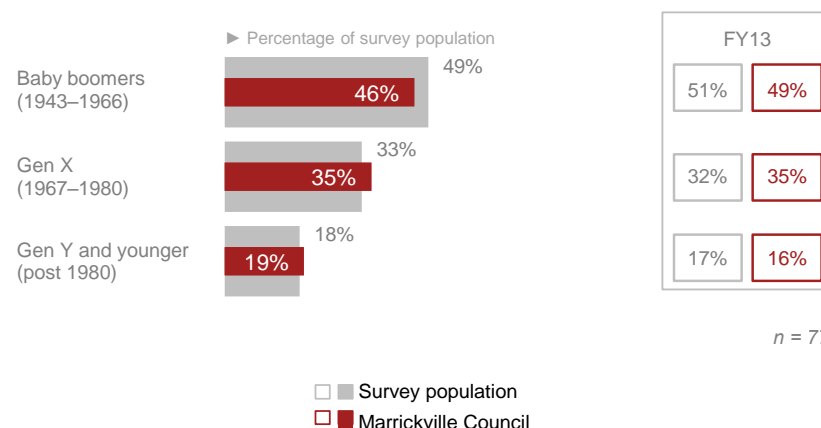


Figure 1.27: Workforce profile (closing headcount breakdown by generation and gender)

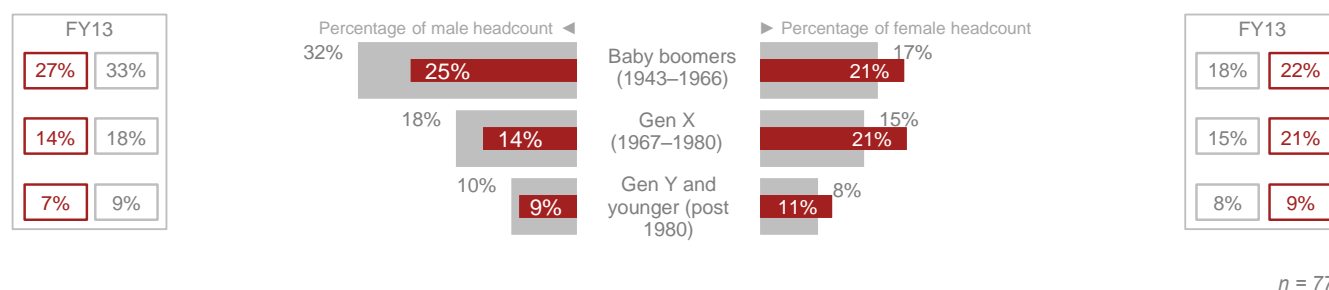
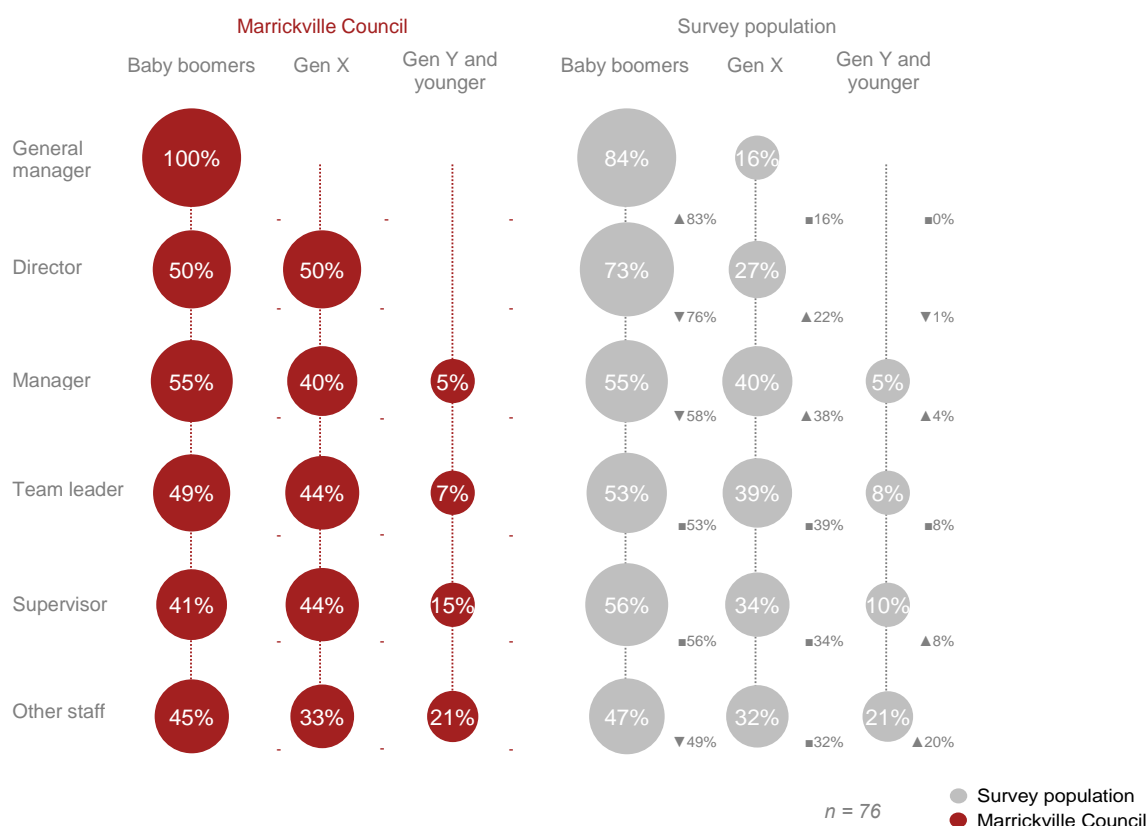


Figure 1.28: Generational staff level mix



Are you leaving succession planning too late? (continued)

Potential retirements

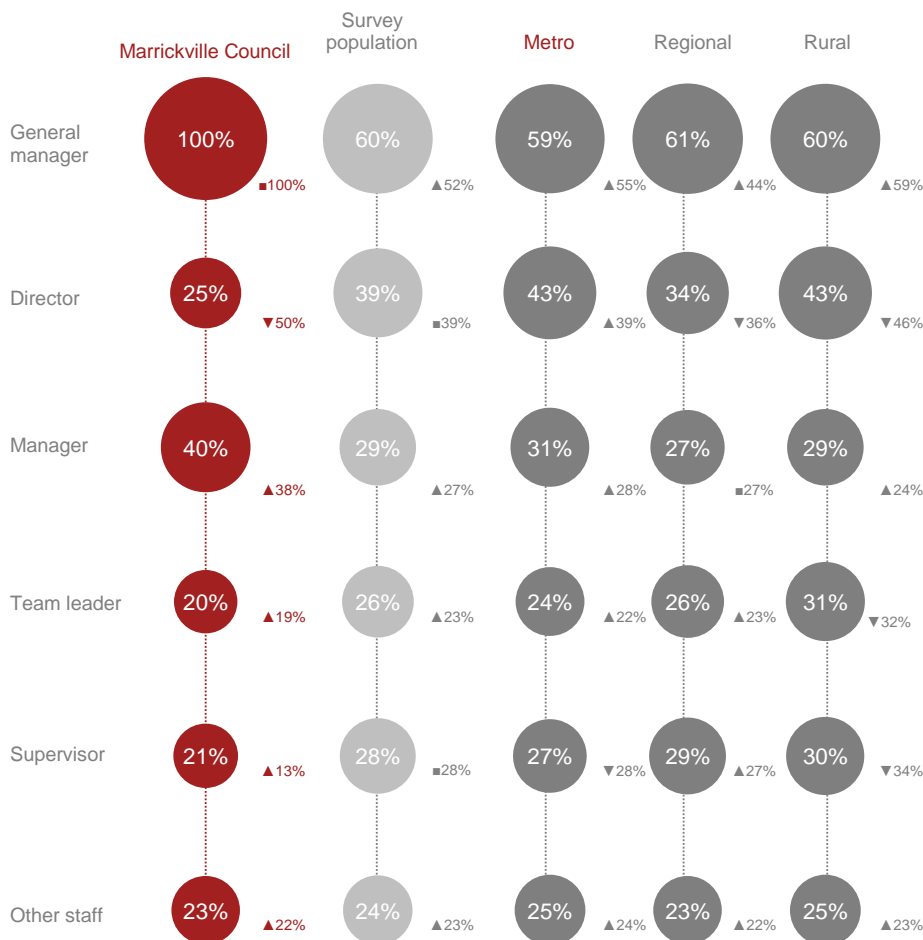
The local government workforce is ageing. Around four out of five General Managers (84%) and 73% of directors are baby boomers. Even the manager level is populated predominantly baby boomers at 55% (see Figure 1.29).

This current generational workforce trend at the very senior levels will have a significant effect on future resourcing requirements. In less than 10 years (by June 2024), we can predict that 25% of workers who were employed by councils as at 30 June 2014 will reach the retirement age of 65 years and have the option to retire.

This becomes a critical issue at the C-suite level. Our findings show that around 60% of General Managers will have the option to retire in 10 years, irrespective of the location of the council. More than a third of directors (39%) will also have the option to retire. This is even more prevalent in metro and rural councils, with 43% of directors potentially retiring in ten years.

It is evident that the large number of employees reaching retirement age remains a key concern for NSW local government. Councils need to examine whether they have adequate HR strategies for dealing with impending retirements.

Figure 1.29: Potential retirements by June 2024



n = 76

● Survey population
● Marrickville Council

Are you leaving succession planning too late? (continued)

Succession planning

Given the high proportion of potential retirements in local government, we believe it is essential for councils to establish a succession planning program to help them identify and develop emerging talent as potential successors for key leadership roles.

We revealed in our Round 1 survey that only 14% of councils had a formal succession planning program in place during the 2012–13 financial year. While this has now risen to 19% of councils, four out of five councils still do not have a succession planning program in place. Rural councils are leading the way (23% have a succession planning program in place), although metro and regional councils are beginning to see the importance of investing in succession planning. There are now 17% of metro and regional councils with a succession planning program, compared to only 10% and 7% respectively in the prior year.

Given the high volume of general managers and directors potentially retiring in the next 10 years, it is a concern that only 11% of General Managers and 12% of Directors have identified successors for these key leadership roles. This suggests hesitancy perhaps influenced by the current reform climate, with senior leaders possibly adopting a ‘wait and see’ approach.

A good succession planning program is about retaining high-performing employees and building capability resilience into the senior leadership team. If councils invest in identifying, rewarding, challenging and developing the skills of their key talent, the pool of potential successors remains strong within the council, as there is a reduced need for these employees to further their careers elsewhere.

Figure 1.30: Did your council have a formal succession planning program in FY14?

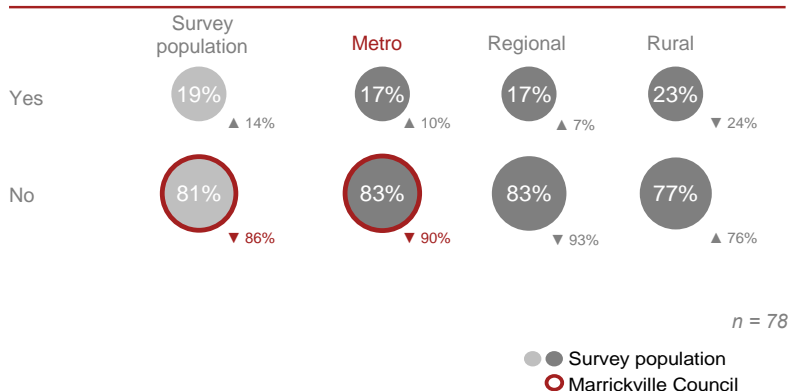
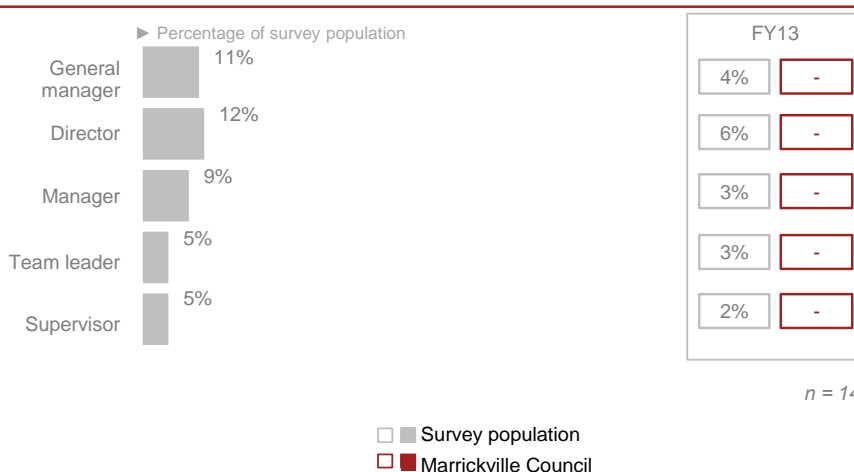


Figure 1.31: Percentage of staff with a succession plan in place



Only
19%
of councils have a
succession plan in
place

Case study: Coolamon Shire Council

Workforce: Succession planning

When did Coolamon Shire Council (Coolamon) identify there was a case for change?

Around 20 years ago, Coolamon's senior management positions were held by staff members who had been with the Council for a number of years and were likely to remain until they retired. We recognised that these senior staff members held valuable intellectual property, which needed to remain within the organisation.

What approach did Coolamon take?

The first step was to implement a succession planning program that we called 'Train our Own'. This involved identifying emerging talent within the Council and assessing development needs so younger staff members could be groomed for future leadership roles.

Our General Manager had always believed that staff should be given the opportunity to develop their skills and progress within the organisation. Employees who are happy in their job and willing to invest in their community – for example through home ownership, starting a family, and living and working in the area – benefit the organisation as well as the community.

What resources were required to deliver change?

The first step was to identify potential future leaders. The General Manager and senior leadership team allocated funds to a training budget. This meant that nominated staff could undertake defined training programs.

While on-the-job training and mentoring are an important part of succession planning, we found that structured training programs provided immense benefits to individuals and the organisation. This approach has been less costly than expected and has improved staff engagement, which in turn helps retain valuable individuals.

What results did the change achieve?

We have gained continuity in the workforce, a stable management team, streamlined handover processes, enhanced transfer of intellectual property and more skilled staff. The new approach to succession planning has had the most impact in the governance, administration and technical departments.

There are various individual examples of training opportunities provided to employees to facilitate succession planning.

- The current General Manager has been employed at Coolamon since 2001 and was appointed as General Manager in 2014. During this time he has undertaken a Masters in Planning to help him promote the change in culture for succession planning.
- Two executive managers have been employed at the Council since 1996 and 1999 respectively. To enable their growth into larger roles at the Council, they have undertaken a Bachelor of Business (Accounting) and an Associate Degree in Civil Engineering respectively.





- The current manager of Planning and Environmental Services was initially engaged as a trainee Building Inspector in 2002, and undertook a Bachelor in Applied Science (Environmental Health) and a Masters in Planning to help his development.
- The current Finance Manager has been employed at Coolamon since 2005, and since then has completed a Bachelor of Business (Accounting) and a Bachelor of Legal and Justice Studies (Local Government/Conveyancing).
- Other employees that have undertaken training programs include a trainee Health and Building Officer employed since 2012 studying building surveying; a Works Engineer employed since 2011 studying a Diploma in Civil Construction and Design; a Design Engineer employed since 2004 studying Spatial Science; and an Asset Manager employed since 2015 studying a Graduate Certificate in Infrastructure Asset Management.

How does Coolamon measure and review progress?

The Council reviews its organisational structure and training requirements annually.

What challenges did Coolamon face?

While succession planning has been in place for a number of years, it has not always worked for all positions. There has to be clear communication and buy-in from the employer and employees to achieve the right results – for example, some employees do not wish to undertake further studies.

Furthermore, being a small council means that employees must be passionate about the community, otherwise they are likely to leave. Coolamon trialled an Engineering cadetship program for people outside the community, but this was not successful as the individuals involved decided against settling in the area.

What recommendations would Coolamon give to other councils?

It is important for councils to have senior management's support in changing the organisations' culture and implementing succession planning. It takes a commitment of time and financial resources towards targeted training programs so that employees across the council can take advantage of the opportunities that become available.

What does the future look like?

Succession planning is cyclical, based on when senior managers are likely to reach retirement age. Coolamon experienced the largest staff turnover in 2014; however, because we had a clearly defined succession planning program, we were able to reduce the impact of losing senior and experienced talent.

Do you have an active leave management strategy in place?

Annual leave

The evidence suggests that while some councils are noticing a decline in the percentage of employees with four weeks or more of accrued annual leave (compared to the previous year) a significant portion are yet to introduce active leave management strategies to deal with the issue of very high employee leave balances. As at 30 June 2014, 42% of employees carried more than four weeks of annual leave (up from 41% in the prior year) and 12% had more than eight weeks accrued (no change). Few councils have made positive progress in reducing the number of employees with more than eight weeks of accrued leave.

Metro councils are the only group to have increased the percentage of employees with more than four weeks accrued when compared to the prior year – this jumped from 35% to 41% of employees in the 2013–14 financial year. While regional and rural councils have experienced modest decreases in this metric compared to the prior year, they continue to have a higher proportion of employees with more than four weeks of annual leave accrued: 43% and 44% respectively in the 2013–14 financial year.

Key considerations

- Have you introduced an active leave management strategy?
- Are your senior managers with high leave balances modelling the desired leave behaviour?
- Do you encourage a culture where leave is used as a way to maintain good health and wellbeing?

What does this mean? From a financial viewpoint, annual leave balances within NSW local government are continuing to increase in value the longer they remain unused. It is concerning that close to half of the surveyed workforce rolls over effectively one month of salary each year. Just as concerning, if not more important, is the wellbeing factor. Failure to rest and recuperate may result in health problems and stress-related productivity issues.

4.2
Average weeks accrued leave per FTE



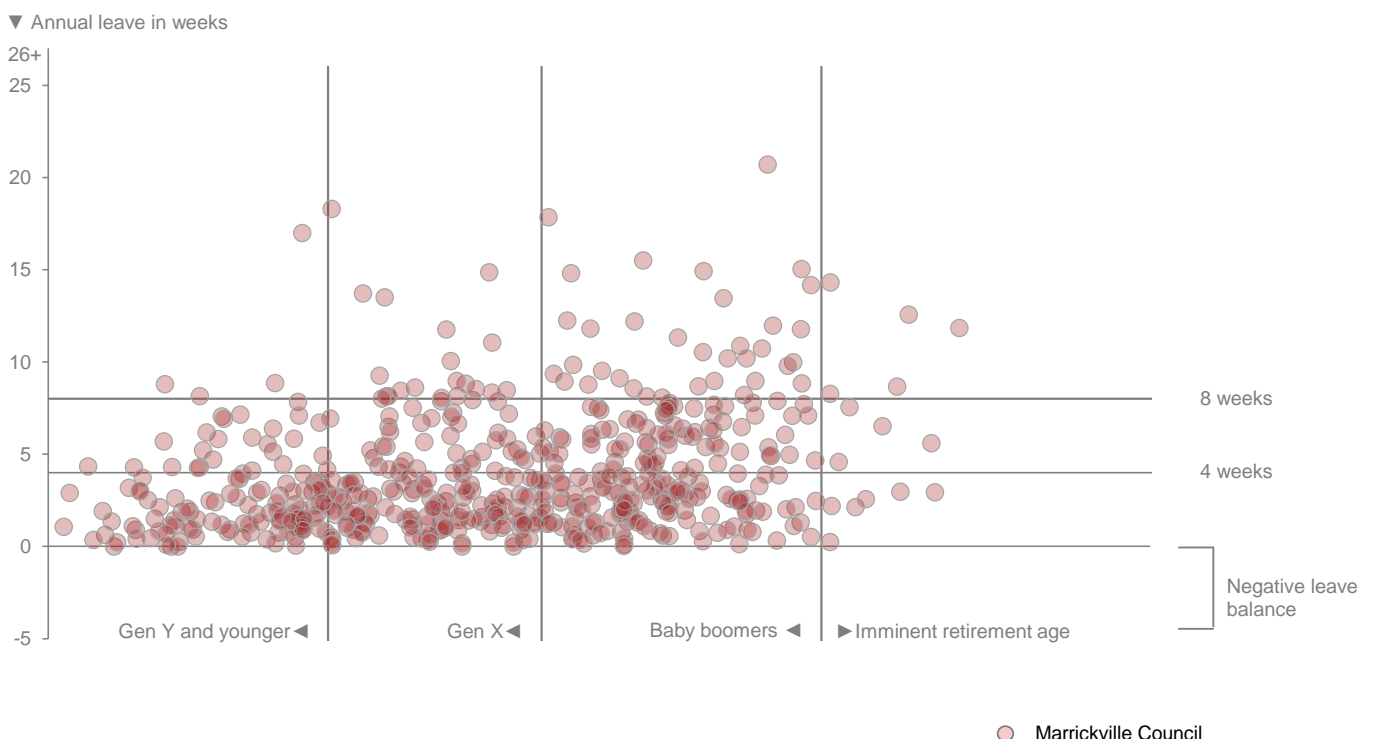
37%
of your workforce has 4 weeks leave accrued

11%
of your workforce has 8 weeks leave accrued

42%
of the surveyed workforce has more than 4 weeks leave accrued

12%
of the surveyed workforce has more than 8 weeks leave accrued

Figure 1.32: Employee annual leave balance in weeks by year of birth



The importance of managing long service leave and retirement

Long service leave

The area of managing long service leave remains a key priority for local government, given the high proportion of baby boomers and impending retirements. The location or size of a council has little impact on whether a council has employees with high long service balances. A quarter or more of the workforce in metro, regional and rural councils have over 12 weeks of long service leave accrued.

Benefits that stem from implementing an active long service leave management program include:

- an improved skill base, as existing **employees accept opportunities to 'act'** in different roles
- a more engaged workforce, due to the variety of work on offer
- a shift in the workplace culture, where senior management models the desired behavior by using accrued leave

- a smoother transition from work to retirement, leading to better employee welfare, and better knowledge retention and transfer within the council
- the ability to establish a long-term plan in the event of a skills shortage
- a refreshed workforce, possibly leading to less sick leave and lost time from injuries.

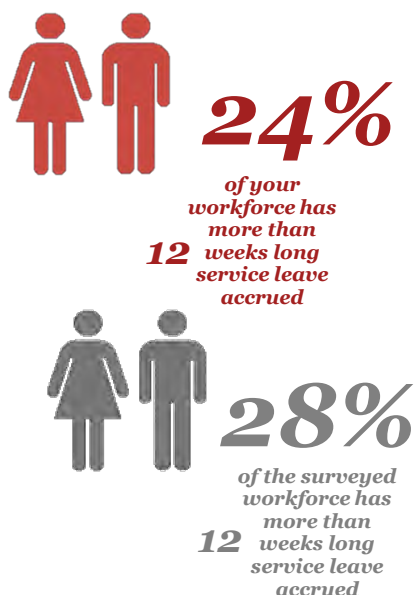
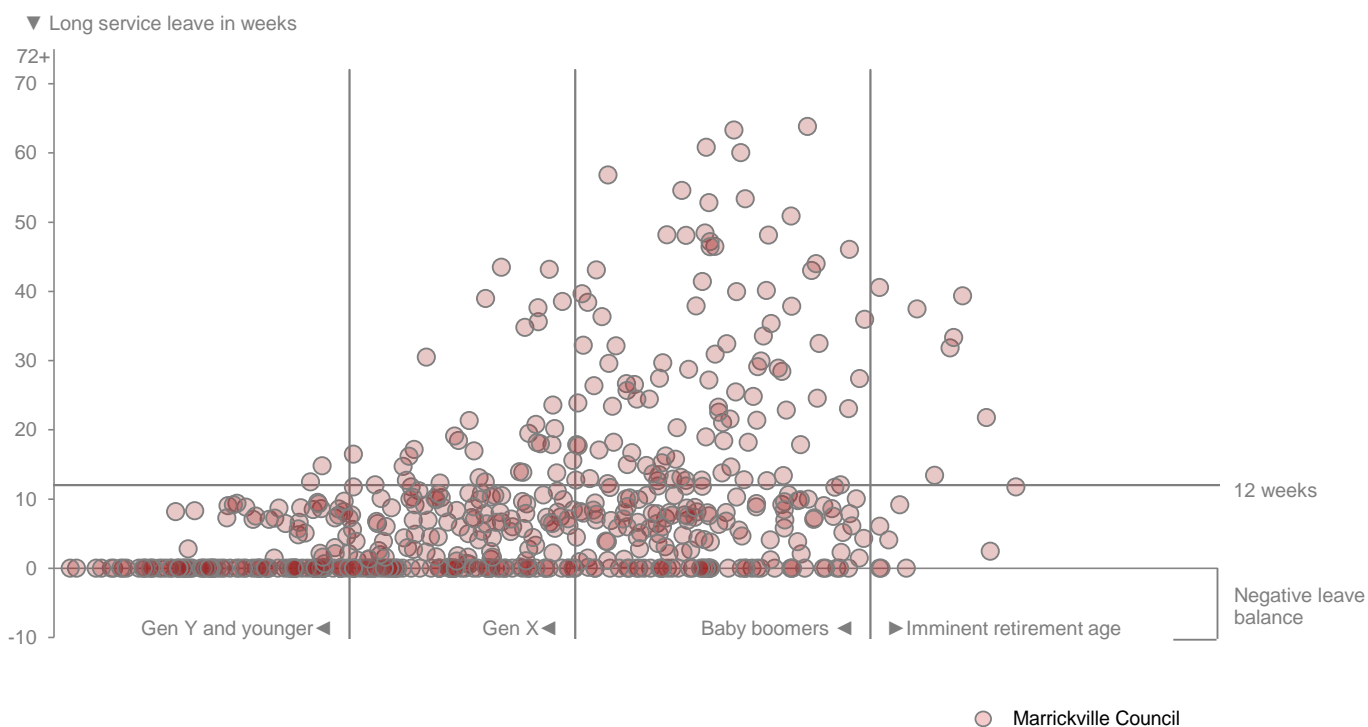


Figure 1.33: Employee long service leave balance in weeks by year of birth



Learning from sick leave and absenteeism

Absence

High levels of absenteeism can have a stifling effect on productivity, as well as adding to costs through lost time and the need to employ short-term replacement staff. The absence rate can be used as an indicator of two key workforce outcomes:

- the volume of absence management that needs to be performed
- the extent to which excess absenteeism can be attributed to low employee engagement.

Across the survey population in the 2013–14 financial year, the 25% of employees who used a small amount of sick leave took 2.2 days or less (down from 2.7 days or less in the prior year), and on the other end of the spectrum 25% of employees took 11.1 days or more (down from 11.5 days or less). The remaining 50% of staff took between 2.2 days and 11.1 days of sick leave – **this is the ‘normal’ range**.

While this slight decline in sick leave taken indicates a healthier workforce, we advise each council to examine their own sick leave profile. What percentage of your **employees fall within the ‘normal’ range?** If you have more than 25% of employees in the higher range (taking more than 11.1 days), do you understand why certain employees are reporting high levels of absenteeism?

Examining the difference in the volume of sick leave taken between staff who manage and staff who do not is also important. We have provided each council with a quartile breakdown on sick leave taken, by supervisors and above compared to other staff. A high level of absenteeism among employees at the supervisor level can have a demotivating effect on the lower levels of staff, which may lead to higher absenteeism in the team overall.

Key considerations

- What percentage of your employees fall within the ‘normal’ range for sick leave taken?
- What employee groups are reporting high levels of absenteeism?

Figure 1.34: Percentage of employees taking sick leave by quartile

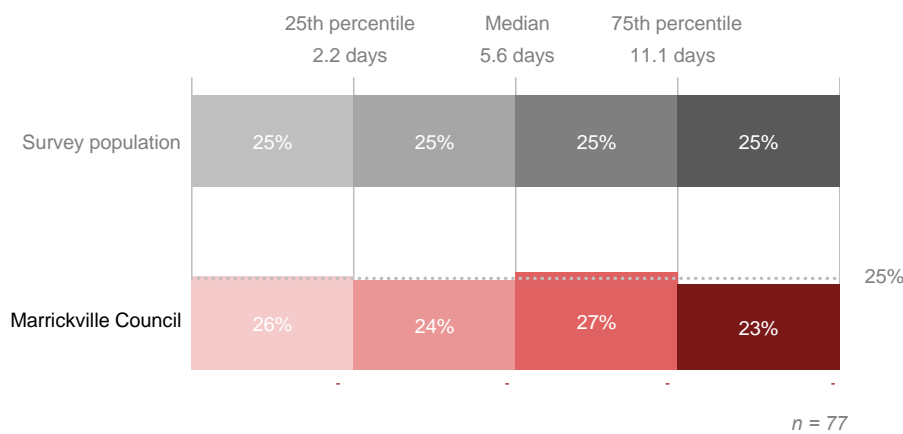
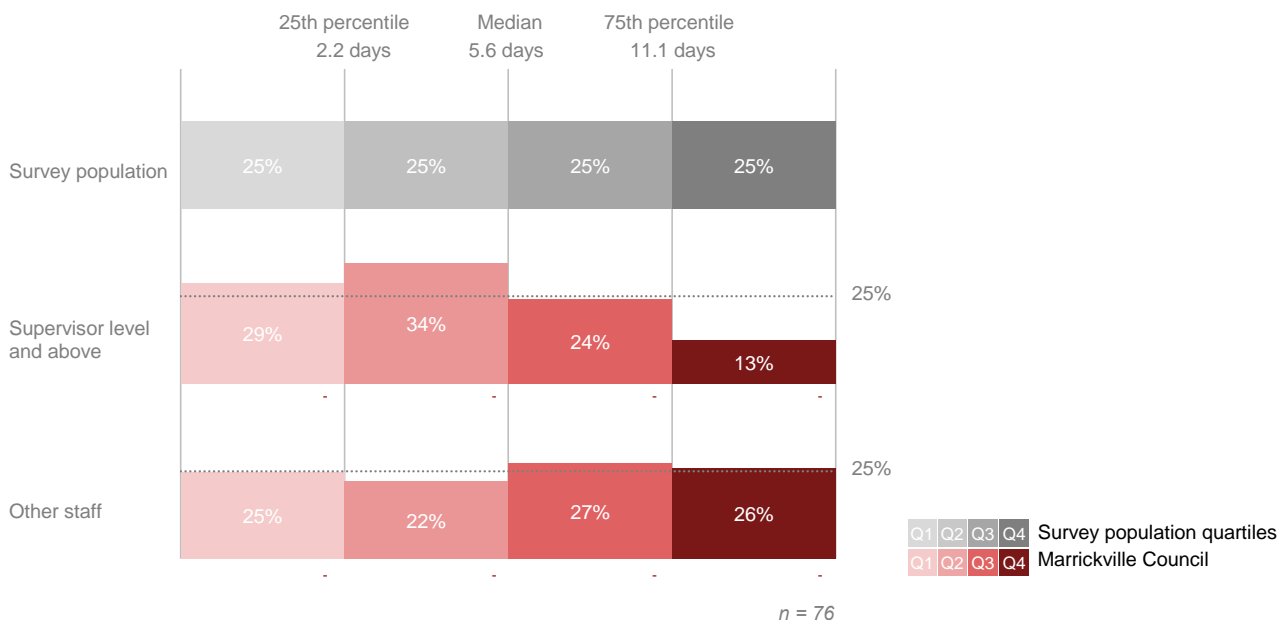


Figure 1.35: Breakdown of percentage of employees taking sick leave by quartile



Are you equipping staff with new skills?

Staff training

The findings of the recent ACELG survey¹², regarding the biggest challenge faced by local government in workforce development over the next 12 months, show that for regional and rural councils, the cost of accessing training is a significant issue – travel and accommodation costs consume a significant amount of an already limited training budget.

In our Round 2 FY14 survey, we investigated, for the first time, the budget and actual spend on training offered to all employees. It is encouraging to see that 97% of councils have a formal training budget in place. However, we found that 72% of councils with a training budget for the 2013–14 financial year did not spend the full amount.

The overall median annual training spend per FTE is \$935. Metro councils spend a median of \$639 per FTE, which increases for regional councils to \$1,035 per FTE and \$1,164 per FTE for rural councils. This increase is likely related to the travel costs involved when providing training to employees outside metro areas.

Those councils that are spending less per FTE on training compared to the full training budget should be examining the reasons behind this decision and the possible ramifications on the workforce. If council lacks commitment when it comes to creating opportunities for learning, this may lead to reduced productivity and low staff engagement, as well as an inability to innovate and quickly respond to changing circumstances.

If training budgets are limited, there are many ways to offer cost-effective training opportunities to support employee development. Holding on-site training in co-ordination with nearby councils is one way to reduce costs and offer training opportunities. Providing junior staff the **chance to ‘shadow’ more senior members** of staff is a cost-effective way to leverage existing skills in the workplace.

Offering short- or long-term secondments to other areas of the business or to other councils is another way to improve the skills within the workforce and provide employees with a variety of work options. There are also many online industry training resources and courses that are inexpensive and do not require travel.

Figure 1.36: Does your council have a formal training budget?

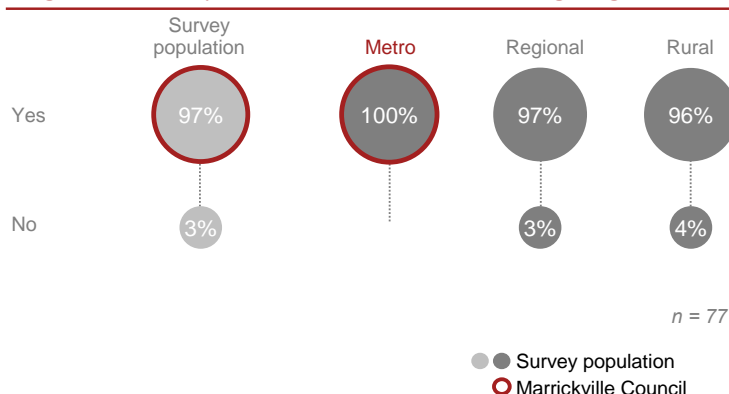


Figure 1.37: Actual training spend against training budget per FTE



12 Australian Centre of Excellence for Local Government, ACELG, February 2015, 'Profile of Local Government Workforce'.

Access to management development training

Management development training

A formal management development training program is any specific training that will support the professional development of management or leadership skills. It is good to see more councils (73%) have a formal program in place, compared to only 68% in the prior year. Rural councils continue to lack a more formalised approach to training; only 50% of councils have a formal management development program in place, although this too has increased from 40% in the prior year.

A key highlight is the increased participation in management development training over the past year. All levels from supervisor to General Manager have higher participation levels in the 2013–14 financial year. Investing in the supervisor level has really taken off, with almost half of all supervisors (46%) now participating in management development training, compared to only 36% in the prior year.

A management development program forms part of the value proposition for employees. Retaining and attracting leaders who can think strategically, make decisions, and motivate others to embrace **the organisation's vision and values** can set an organisation apart from others.

Figure 1.38: Does your council offer formal management development training?

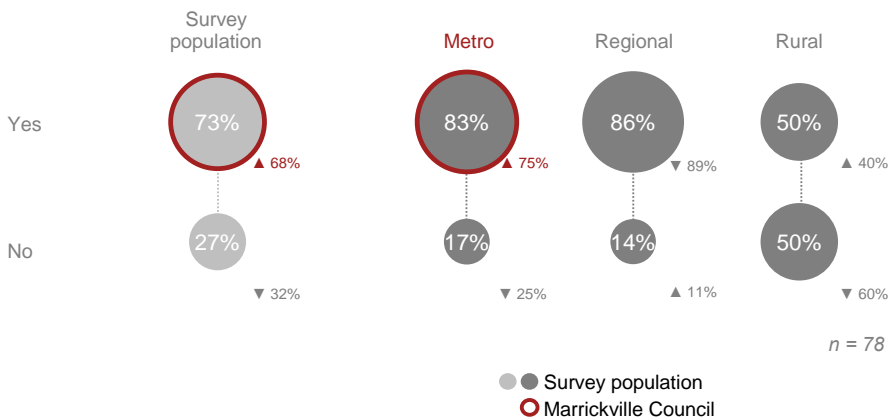
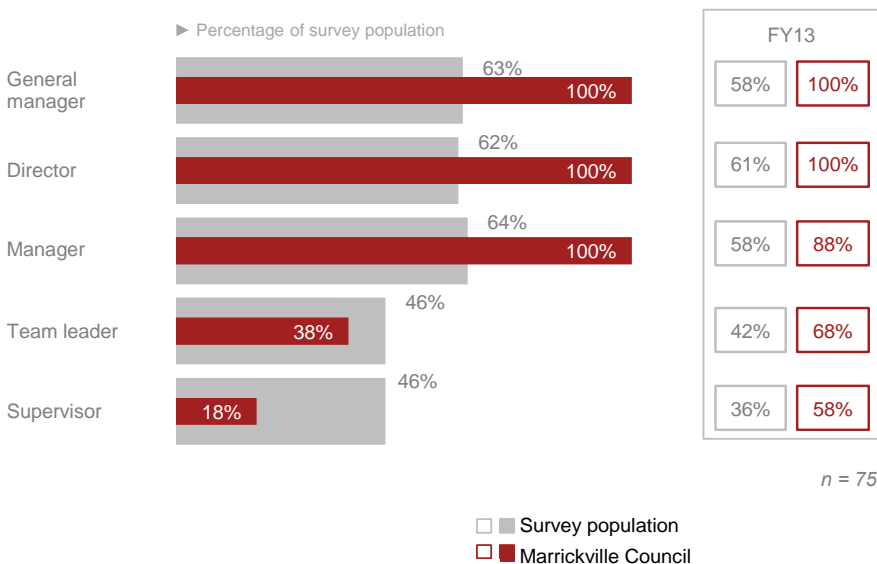


Figure 1.39: Percentage of staff who participated in management development training



Access to management development training (continued)

Management development training programs

Interestingly, while participation levels have increased in management development training, it appears to be funded in an informal way. There are 55% of councils without a dedicated budget set aside for this type of training.

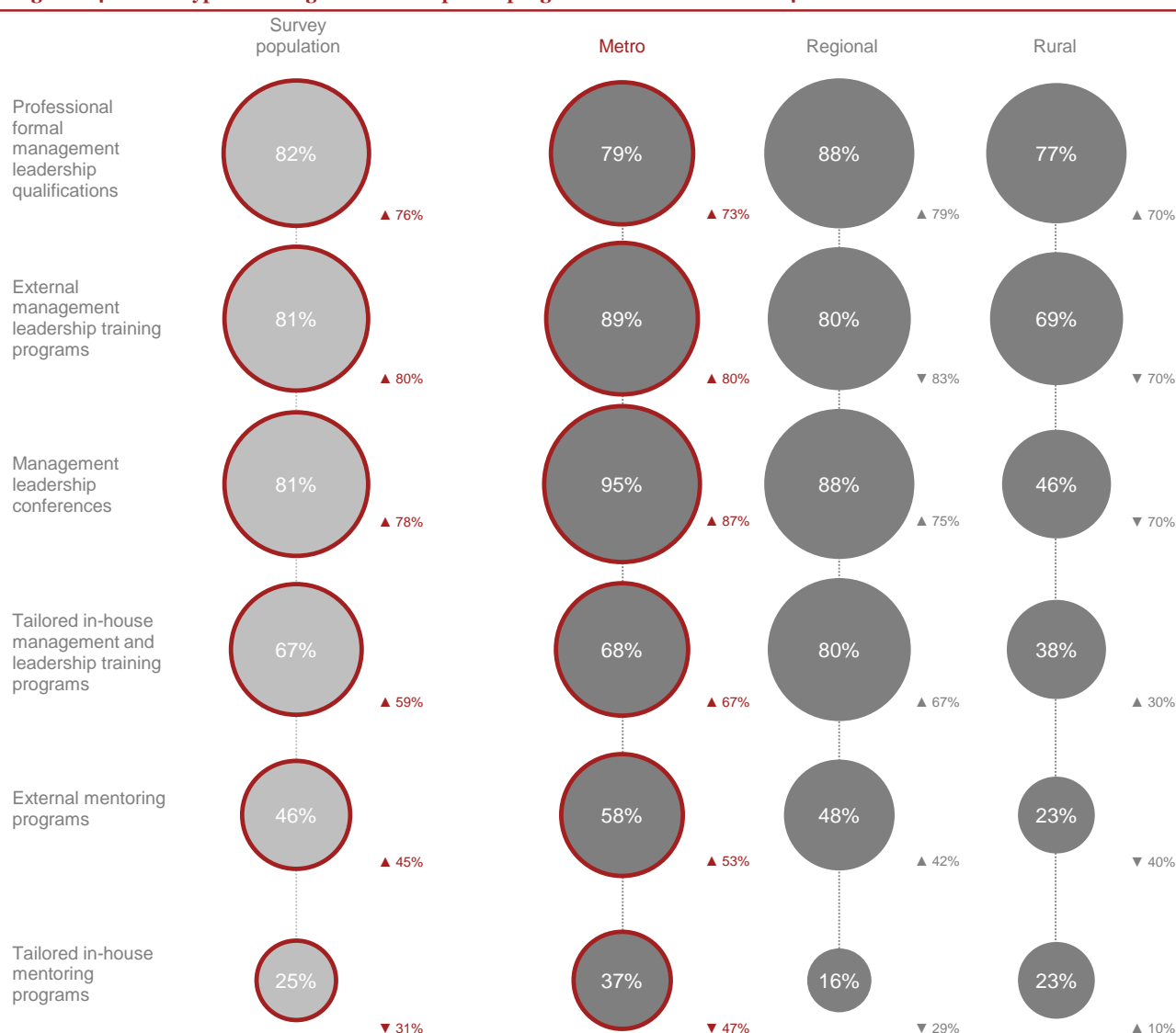
Budgeting for management training allows a council to prioritise it over other ad-hoc spending and ensures some form of governance and accountability exists, with the aim of upholding the agreed council strategy around skills development.

Our survey reveals that professional courses that lead to formal qualifications are the most popular form of management training, with 82% of councils reporting that their executive staff members undertake this type of training (up from 76% in the prior year). Coming in a close second at 81% are external management leadership training programs (up from 80%) and management leadership conferences (up from 78%).

External mentoring programs continue to be less prevalent: only 46% of councils offer such programs. This is an area where managers and directors approaching C-suite levels can really benefit from the experience of more senior people.



Figure 1.40: What type of management development programs were offered in FY14?



n = 57

● Survey population
○ Marrickville Council

Strategy and performance are intrinsically linked

Performance appraisal

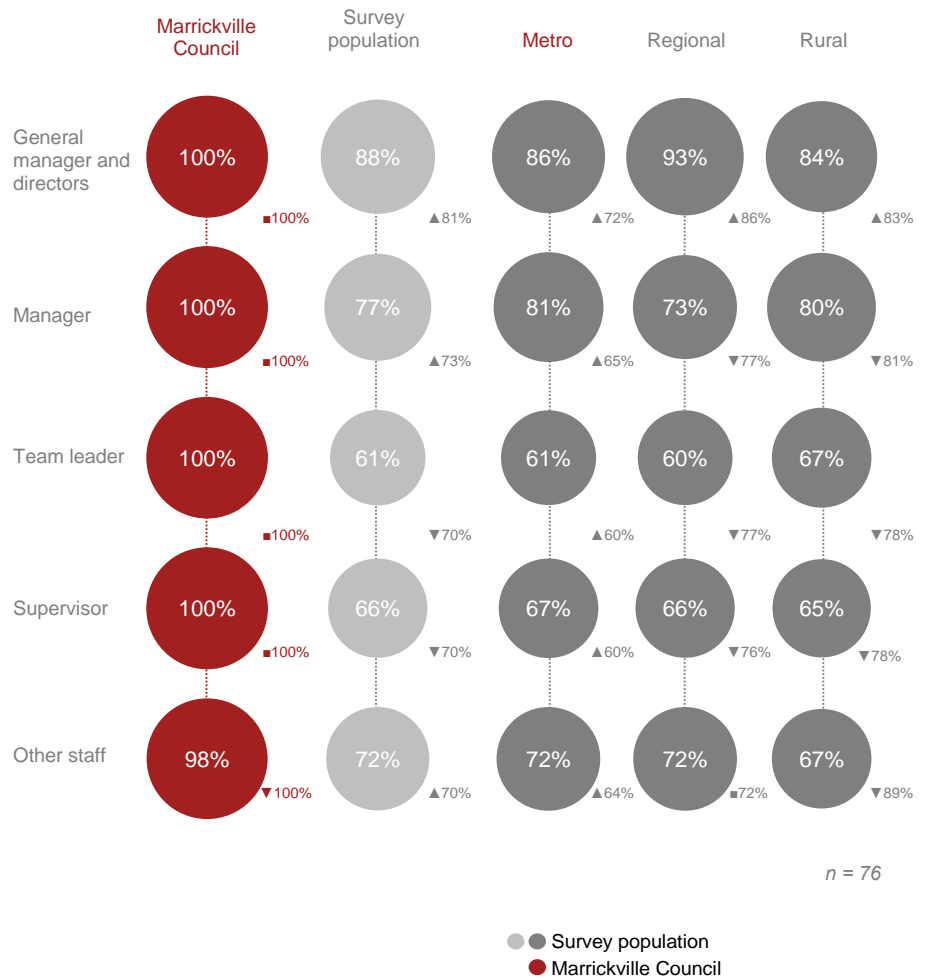
Our survey shows that General Managers and directors are far more likely to receive a formal performance appraisal compared to staff members at any other level. We highlighted in our Round 1 report the importance of managers receiving feedback during the year, given this **function is the 'glue' between senior management and staff**. Although this is improving – 77% of managers (up from 73%) had a formal performance appraisal in the 2013–14 financial year – only metro councils have significantly pushed forward, with 81% of their management receiving a performance appraisal (up from 65%).

Regional councils especially need to investigate why there has been a decline in the proportion of managers receiving feedback in the past year – the number dropped from 77% to 73%.

Councils need to focus on their people strategies and the role of recognition and feedback on the influential levels of team leaders and supervisors. Less than two-thirds of team leaders are receiving timely feedback (61%, down from 70% in the prior year) and only 66% of supervisors are receiving performance appraisals (compared to 70% in the prior year).

Regular informal feedback and recognition is just as important as annual or half-yearly formal appraisals. It is important to recognise achievements, identify performance issues and plan for further development needs. Formal performance appraisals not only benefit individuals; they allow an organisation to identify skill shortages and then plan accordingly.

Figure 1.41: How many of your employees had a formal annual performance appraisal in FY14?



Strategy and performance are intrinsically linked (continued)

Linking performance outcomes to the Delivery Program

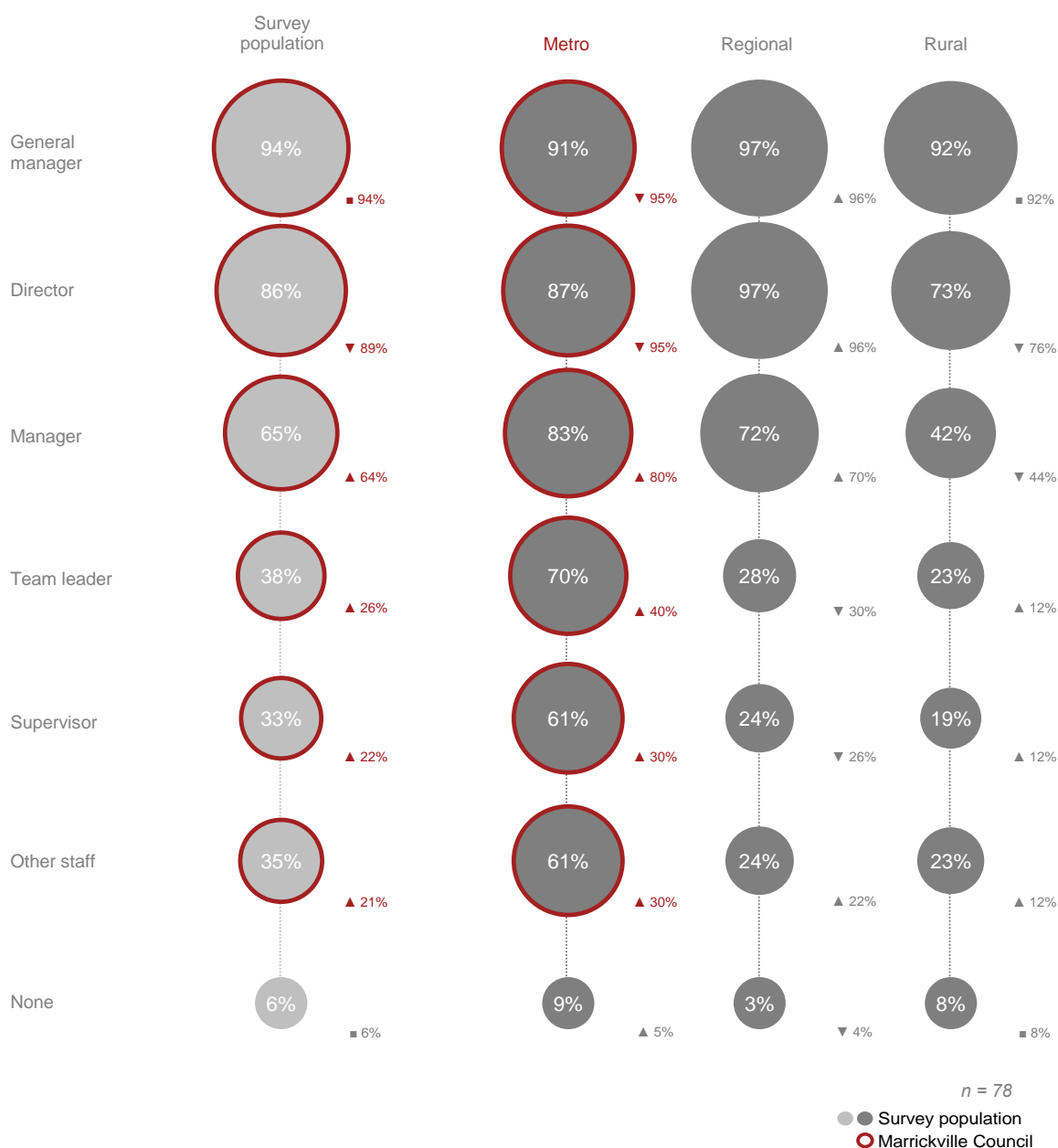
An organisation's success relies heavily on its people. That is why it is best practice to establish clear organisational goals and objectives, and link these to an employee's performance appraisal.

Bearing this in mind, as all councils are in the process of examining their future sustainability and how this may affect the delivery of the community strategic objectives, a shift is taking place.

Team leaders, supervisors and other staff are now more engaged when it comes to connecting the council's goals and objectives to their performance outcomes.

One-third or more of the employees within each of these levels now have their performance outcomes linked to their council's Delivery Program, compared to one-quarter or less in the prior year.

Figure 1.42: Which staff levels have their performance appraisal outcomes linked directly to the Delivery Program?



Are your workforce costs growing faster than your revenue?

Productivity

Local government sustainability is a current focal point for NSW councils, as they prepare their Fit for the Future submissions. Our productivity measure aims to assess whether councils are improving the balance between the level of their controllable outputs (measured by controllable revenue) compared to the increasing costs of their workforce.

We understand that productivity is not easy to measure due to the many variables that can influence costs and outputs. As a result, we present a directional view only, looking at councils' overall relative performance in this area and identifying performance segments on the charts below, as a guide to help councils plan for the future.

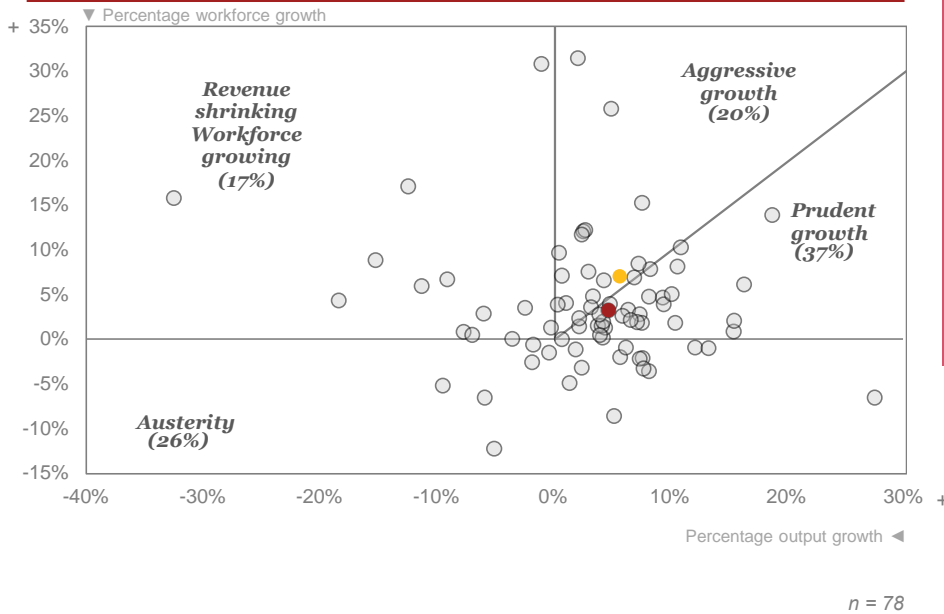
There continues to be a clustering of councils (37%) within the 'prudent growth' area of the chart. This suggests councils are increasing their controllable revenues at a faster rate than their workforce costs are growing. However, as a result of fluctuations in controllable revenue, along with what appears to be steadily increasing workforce costs, we are now seeing 17% of councils (up from 7%) in the 'revenue shrinking, workforce growing' area.

We are starting to see some very different patterns across metro, regional and rural councils. Rural councils continue to have the most variation in their results, with councils situated across all four

quadrants. They appear to have experienced higher workforce costs relative to income between the 2012–13 and 2013–14 financial years..

For the first time, 10% of regional councils are now in the 'revenue shrinking, workforce growing' area. While 22% (up from 10%) of metro councils are now in the 'aggressive growth' quadrant, overall it appears that these councils are experiencing reasonable output growth. The factors that might affect the variation in these results are successful Special Rate Variations; workforce cost increases due to the Local Government (State) Award 2014; and/or increased fees and charges.

Figure 1.43: Productivity - Survey population

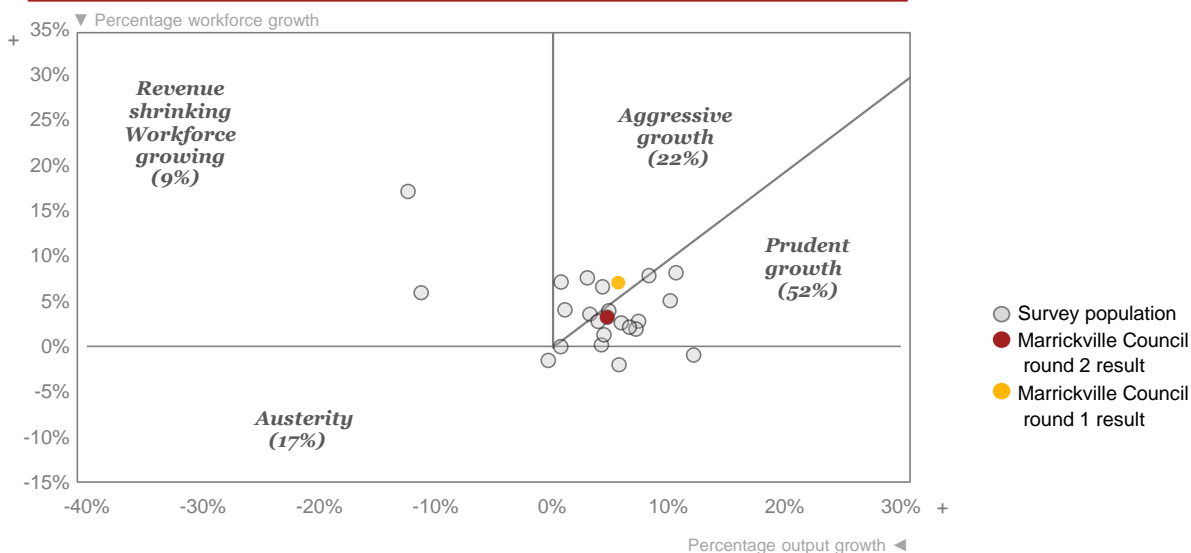


Definition

Output growth is year-on-year controllable revenue growth that excludes revenue from providing outsourced services, all types of grants and domestic waste management revenue.

Workforce growth is year-on-year growth in total employee costs.

Figure 1.44: Productivity - Metro councils



Managing lost-time injury incidents

Lost-time injury incidents

Reducing the number and severity of workplace injuries remains high on the agenda, and our survey reveals a lower number of lost days per 100 employees compared to the prior year. In the 2013–14 financial year, there were 45 lost days per 100 employees, compared to 51 days in the prior year. Rural councils continue to have a much higher proportion of lost days per 100 employees, with 77 lost days per 100 employees, compared to 37 in regional and 47 in metro councils. While there has been a sharp decline over the past year for rural councils, reducing from 89 to 77 lost days per 100 employees, this indicates a need for further investigation into the reasons for such incidents, in an effort to reduce significant associated costs and lost productivity.

In Figure 1.45, we have plotted each council's rate of incidents (measured as the number of incidents per 100 employees) against the average claim cost. The bubble size represents the average lost days per incident. We acknowledge that councils with a higher percentage of outdoor workers may have a higher rate of incidents.

Our evidence goes on to show that during the 2013–14 financial year, incidents were far more likely for workers aged 46 to 60 and over 60 years, and that these injuries increased compared to the prior year. Those aged over 60 had the highest average rate of incidents, with 5.1 incidents per 100 employees (up from 4.5), followed by those aged 45 to 60, with 4.1 incidents (up from 3.8). Councils should further explore the nature of these incidents so they can implement awareness and wellbeing programs that target these two age groups.

Key considerations

- Is your number of incidents per 100 employees trending downwards?
- Do you have a prevention program in place to minimise incidents?
- What was the nature of the incidents that did occur? How do they rate on a scale of very



Figure 1.45: Lost-time injury incidents

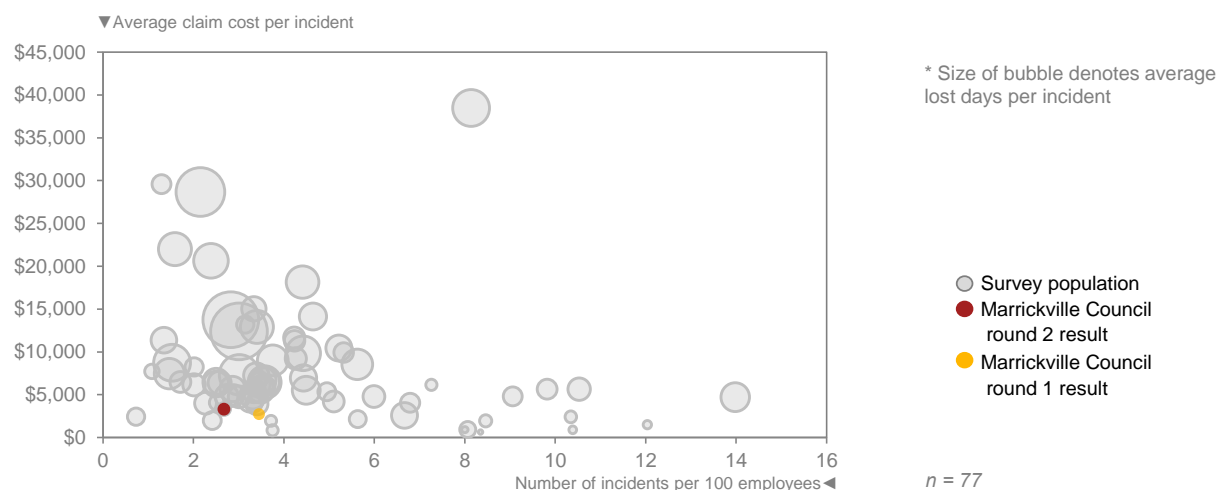
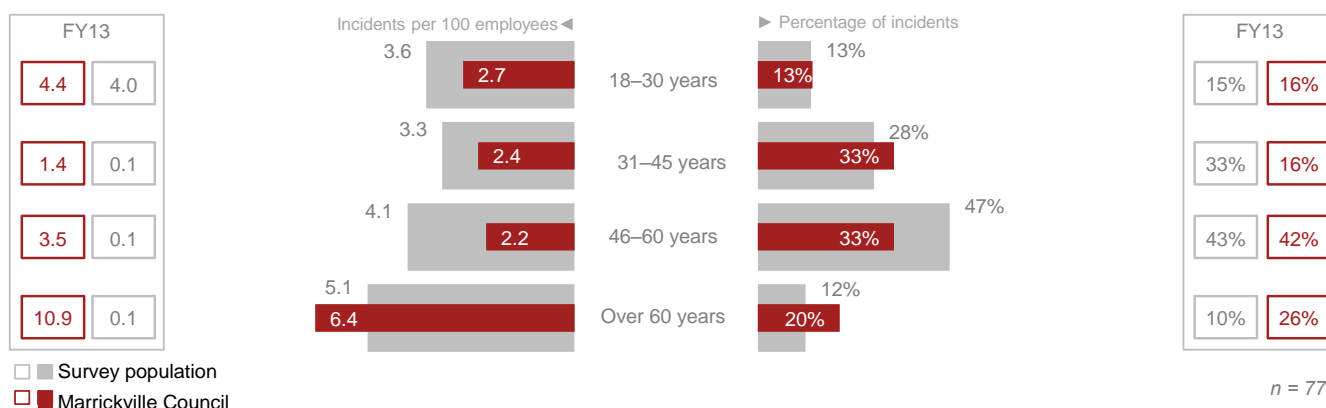


Figure 1.46: Incidents per 100 employees by age bracket



Finance



Finance trend summary

Marrickville Council

Metric	Council	Round 1	Round 2	Change from round 1 to round 2
1. CFO works closely with general manager and leadership team	Marrickville Council	Yes	Yes	No change
	Survey Population	43% (Yes)	53% (Yes)	▲+10%
2. Finance employees with at least a bachelor degree	Marrickville Council	60%	53%	▼-7%
	Survey Population	33%	34%	▲+1%
3. Finance function effort - transactional tasks	Marrickville Council	68%	67%	■ -
	Survey Population	60%	60%	▼-1%
4. Finance function effort - business insight activities	Marrickville Council	24%	24%	■ -
	Survey Population	16%	17%	▲+1%
5. Cost of finance as percentage of revenue	Marrickville Council	2.0%	1.8%	▼-0.3%
	Survey Population	1.8%	1.7%	■ -
6. Frequency of reporting financials to senior management team	Marrickville Council	Monthly	Monthly	No change
	Survey Population	49% (Monthly)	50% (Monthly)	▲+1%
7. Total elapsed days for the budgeting process	Marrickville Council	179	186	▲+7
	Survey Population	150	141	▼-9
8. Revenue profile - rates and annual charges	Marrickville Council	56%	60%	▲+4%
	Survey Population	49%	51%	▲+2%
9. Rates and annual charges collected by end of quarter 2	Marrickville Council	59%	58%	▲+7%
	Survey Population	51%	57%	▼-2%
10. Capital expenditure per resident	Marrickville Council	\$520	\$510	▲+\$38
	Survey Population	\$212	\$250	▼-\$10

Finance partnering with the business

The role of finance

The spotlight is on financial sustainability in local government. Councils operating a finance function with an experienced Chief Financial Officer (CFO) or senior finance professional will be in a better position to adapt and respond to changing environments. More than ever, local government requires its CFO to be true partners of the business, using their financial acumen to deliver insights to senior management that will lead to enhanced decision making and improved performance.

The Fit for the Future process is requiring CFOs to think more strategically. A number of new sustainability criteria are being introduced that will require strategies to be developed as councils work towards achieving the seven benchmarks. Fit for the Future submissions should include long-term financial modelling of the criteria as a core element.

We are starting to see a shift in the role of the CFO in local government. More than half of the councils surveyed (53%) have their CFO working closely with the general manager to define the business strategy (up from 43% in the prior year). Large councils are leading the way, with 86% having a CFO who plays a key role in shaping the business strategy. Medium-sized councils are transitioning with 48% of CFOs (up from 37%) playing a greater role, while CFOs in small councils have a less influential role, sitting at 44% (down from 53%).

As finance in local government evolves from being a support service into one that promotes strategic transformation, further investment is required. According to the recent PwC Australian federal and state government corporate services benchmarking report¹³, which surveyed 20 Australian government organisations, 75% of CFOs or senior finance professionals work closely with the CEO in developing the business strategy.

Finance functions are transitioning from a focus on accounting to a focus on advanced budgeting and planning. By successfully mastering the necessary closing tasks, and increasing both speed and accuracy, finance have been invited to address broader questions, such as 'what are the best organisational key performance indicators for measuring success?'¹⁴

Local government requires finance professionals who are experienced, creative and highly skilled. Our overall survey findings show minimal change in the qualifications of the finance team, with around one-third of finance employees with at least a bachelor degree and 16% who have attained a postgraduate qualification. While only 44% of CFOs in small councils play a strategic role, they are starting to invest in the skills within the finance team, that now have a higher proportion of finance professionals holding a postgraduate qualification (11% up from 7%) and bachelor degree (32% up from 25%). These changes in team make-up take time but can yield big benefits in the long term.

Figure 2.1: What role does the CFO play in the development of the council's business strategy?

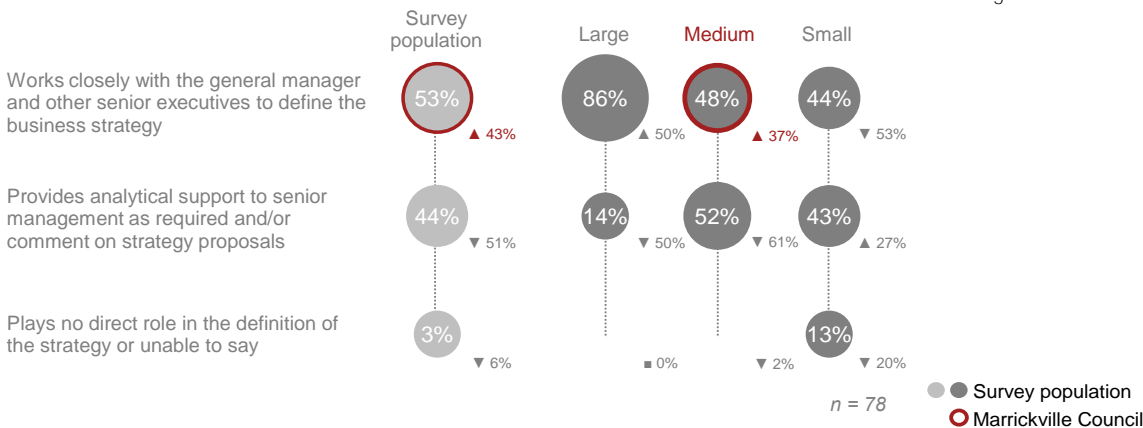
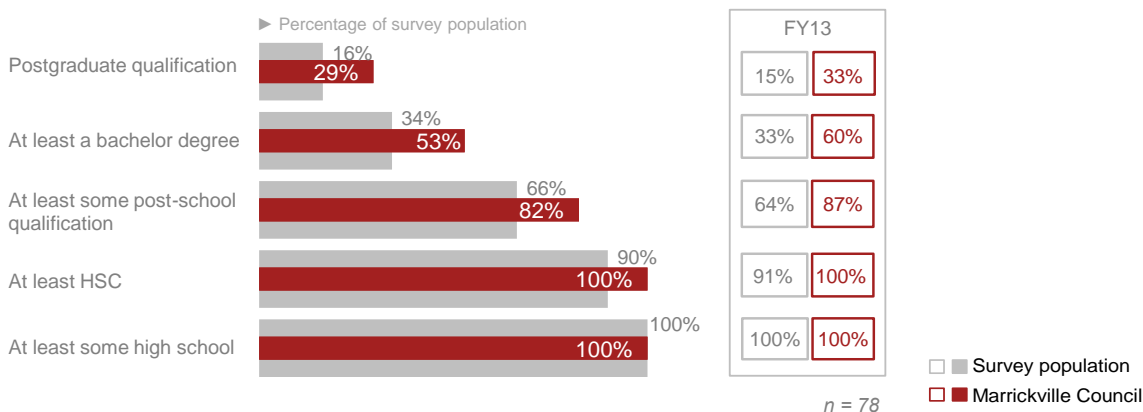


Figure 2.2: Finance employee qualifications (cumulative)



¹³ PwC Australia 2014, Benchmarking of Commonwealth and State Government Corporate Services, 'Sustainable productivity'.

¹⁴ PwC UK 2013, 'Unlocking potential: finance effectiveness benchmark study'.

What is your finance function really costing you?

Finance function activities

The key elements of a high performing finance function¹⁵ include:

Efficiency in finance means performing tasks in a timely and cost-effective manner. This is usually achieved through simplified and standardised processes that use technology, shared services or outsourcing to make transactions more efficient.

Compliance and control relates to the need to optimise financial risk management, compliance and control to establish a sustainable cost-effective control environment that meets today's requirements, while being flexible enough to accommodate future changes.

Insight is increasingly important in effective finance function delivery. This is when finance adds value to the organisation and supports the strategic and operational decision making process.

During the 2013–14 financial year, we continued to see a concentration of finance effort on transactional efficiency tasks (67%), with less effort allocated to business insight activities (17%). All other things being equal, councils that have payroll operating within the finance function should expect to see more effort in improving transactional efficiency.

Some councils have the finance function devoting close to 25% of finance effort on business insight activities, which is in line with the most recent global PwC finance effectiveness findings.¹⁶ The global findings highlight how these corporations are slowly changing finance from a budgeting and control function into a driver of business transformation and performance, in an effort to deliver strategic insights to key stakeholders.

Understanding the cost of the finance function is important when assessing the current value derived and changes that may be required. In large and medium-sized councils, the median cost of finance as a percentage of revenue, remains consistent, at 1.6% and 1.8% respectively.

However, small councils continue to operate a more expensive finance function, at a median cost of 3.1% of revenue (up from 2.7% in the prior year). This indicates that relatively more expensive and skilled resources are spending time on transactional tasks, rather than on business insights activities (that occupy only 15% of time). There may be potential to reallocate resources and streamline back-office roles by co-ordinating with other nearby councils.

Key considerations

- Have you invested in technology to support better analysis and reduce the amount of time spent gathering and manipulating data?
- Have you explored the option of outsourcing or sharing transactional activities with other nearby councils?

Figure 2.3: Finance function effort by process

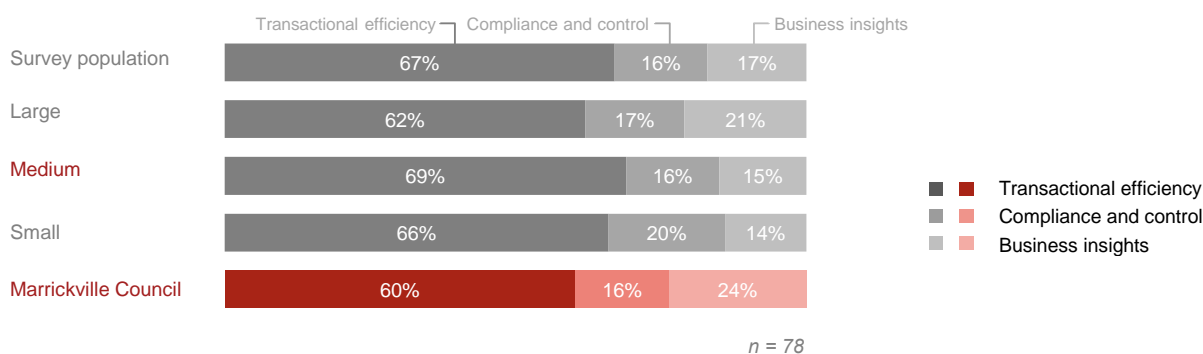
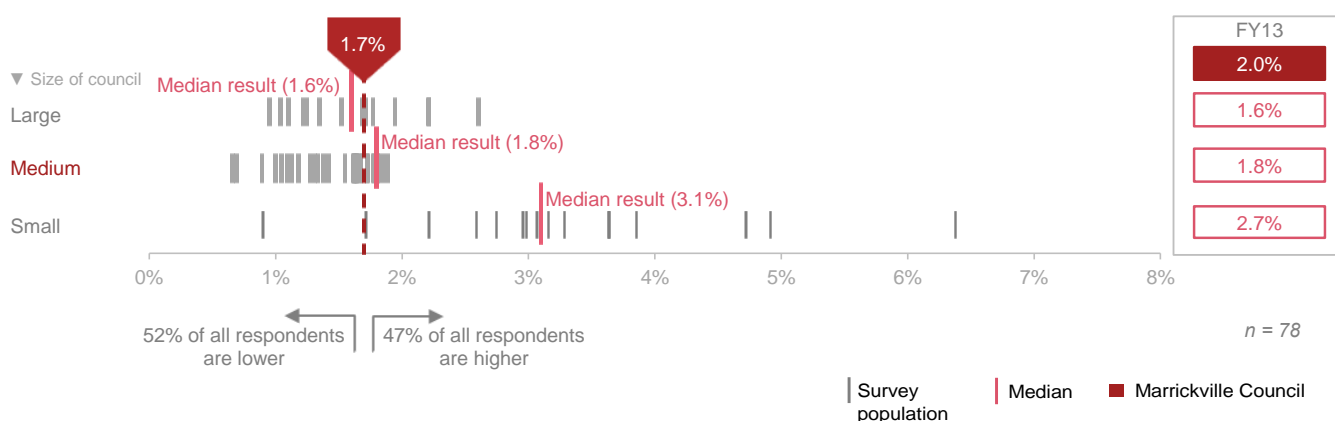


Figure 2.4: Cost of finance as a percentage of revenue



¹⁵ PwC 2014, Government & the 18th Annual Global CEO Survey, 'Government and the Global CEO: Delivering outcomes, creating value'.

¹⁶ PwC UK 2013, 'Unlocking potential: finance effectiveness benchmark study'.



Case study: Wollongong City Council Emphasis on business insight

When did Wollongong City Council (Wollongong) identify there was a case for change?

More than 10 years ago, Wollongong recognised the need for its finance team to deliver business insights in addition to its traditional reporting and clerical responsibilities. The journey has been gradual, with a number of significant change points and continual incremental improvements over that period.

The goal was not merely to improve service delivery but rather to change the nature of the roles finance – as a team and as a business function – could play. The future was to be typified by our ability to provide independent professional services and information to help our decision makers.¹

What approach did Wollongong take?

While the vision for change was clear, it was our implementation of a new Finance system in 2003 that offered the functionality, flexibility and automation we needed. It allowed us to spend more time generating insights to help improve the business, and less time on operational functions like transaction processing, and statutory and technical accounting

This has been an ongoing process of incremental improvements, which has meant the team has decreased slightly in numbers. However, within the team, there are now higher levels of qualification, skills and changing roles.

What results did the change achieve?

We have undergone continual change and even now we're always learning, developing systems and building relationships. Each phase of development has built on what has come before. We had a major change in 2003 when we implemented a new Finance system, which gave us internal reporting and analysis capabilities.

Another time of accelerated change was when we operated under administrators between 2008 and 2011. This saw the introduction of clear, concise and more efficient monthly reporting to the council, administrators, community and internal stakeholders. We introduced an integrated planning and reporting framework that helped different parts of the organisation to understand each other better – and so to work together better.

Wollongong's Securing our Future Program, which was the outcome of a review of Council's financial sustainability, helped us to more clearly understand and share the council's long-term financial position. The finance team's role was critical, in providing more detailed information, both financial and metric about the resources that are used in providing the Services, and the outputs and outcomes shown in planning documents used by a broad range of both internal and external users.

What challenges did Wollongong face?

Wollongong faced and continues to face a range of challenges. These include:

1. Changing the culture within Finance

The nature of the Finance Division has changed over the past 10 years, as our role changes from transactional to business support. Our team has also evolved, and the roles we play have **also changed. We're now more skilled, and our understanding of the organisation's processes and interdependencies has deepened.**

¹ Debreceny R, Nugent M & Gray G. 'New Research Maps – The Changing Landscape', Australian Accountant, Australian Society of CPAs, Melbourne, June 1997.

2. Reshaping structures, resources and skill sets to match the vision and new expectations of the Finance role

This has included the introduction of an Undergraduate Development Program within the Finance Division. This allows finance professionals to enter the organisation at the ground level. We allocated four clerical positions to the program, and undergraduates work a normal 35 hour week.

Undergraduates are rotated annually so they get experience across a range of finance functions and gain new perspectives on business operations. These undergraduates perform tasks previously completed by non-professional staff, with about 25 percent of their time allocated to experiential learning. This is usually done through project work, often related to business insight. The program provides a clear career path and opportunities for undergraduates to progress through the organisation and industry at the end of their degrees.

3. Continually improving financial systems and information to meet the demands of varied users and reduce the manual effort required

Our management accounting staff have developed a strong 'partnership' approach in supporting their allocated directorates. This has increased their knowledge and promoted mutual understanding of business processes and requirements.

What recommendations would Wollongong give to other councils?

Our experience has shown that it is vital for the entire council to be engaged with the change process. Having a clearly understood, shared vision – both within the finance team and the council as a whole – is critical. This vision needs to demonstrate how implementing change **will improve operations or add value in other ways. In Wollongong's case, the changes we experienced bolstered the quality and context of information used to make key decisions.**

What does the future look like?

Wollongong is strongly committed to the Finance Division's role as a business partner, rather than a policing and historical reporting unit. This is evidenced by its recent adoption and implementation of a Senior Management Accountability framework. Under this framework, Senior Managers operate with higher levels of autonomy and can now rely on timely financial support, as well as clear and concise information and tools. This helps staff members to better understand, and to take responsibility for, financial decisions.

Our finance function will continue to develop partnerships across Wollongong and will be more involved in strategic planning and growth. We will focus on providing business analysis and **in-depth operational understanding, and will better manage Finance's dual role as a business partner as well as fulfilling its compliance and performance reporting function.**

How efficient is your finance function?

Days to close and manual journals

It is crucial for senior management to receive timely and accurate information to support efficient decision making. An extended monthly close-to-report cycle time can indicate a disproportionate amount of effort being spent on data-gathering and production, rather than on value-driven analysis and business insights.

Our survey shows that councils in the top quartile are successfully completing the close-to-report cycle in six days, compared to the median of 14 days. This suggests that while some councils are working to improve the close-to-report process and provide management with financial results in a timely manner, a large portion of councils still have an opportunity to improve in this aspect of their finance function.

An indicator of an efficient finance function can be the amount of manual journals processed in any given year. We continue to see almost one-third of councils processing more than 1,500 manual journals annually. If we assume that each manual journal takes approximately five minutes to process, then this equates to one person spending over one whole day per month manually processing journals.

The size of the council and the number of manual journals are closely correlated: 50% of large councils process 1,500 or more manual journals, compared to only 6% of small councils. Strategies to reduce manual journals include automating all recurring journals and setting materiality thresholds for reclassification entries. This would allow councils to redeploy finance resources to more value-adding tasks, while also creating a more robust control environment.

Councils that focus on streamlining the close-to-report process strive to shorten the reporting timeframe by sequencing work steps and eliminating bottlenecks and duplication of effort. This in turn can reduce finance costs, while the timely availability of information can support better business decision making.

Key considerations

- Do you have a smart and efficient close-to-report cycle and does it support decision making and performance evaluation?
- Does senior management receive accurate, reliable and timely information so it can respond quickly to changes?

Figure 2.5: Days to close and report for September 2014 month end

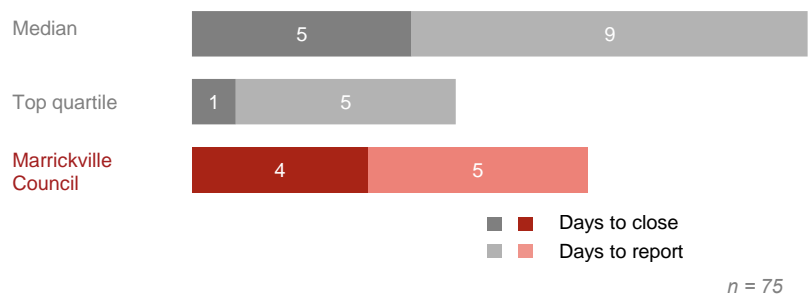
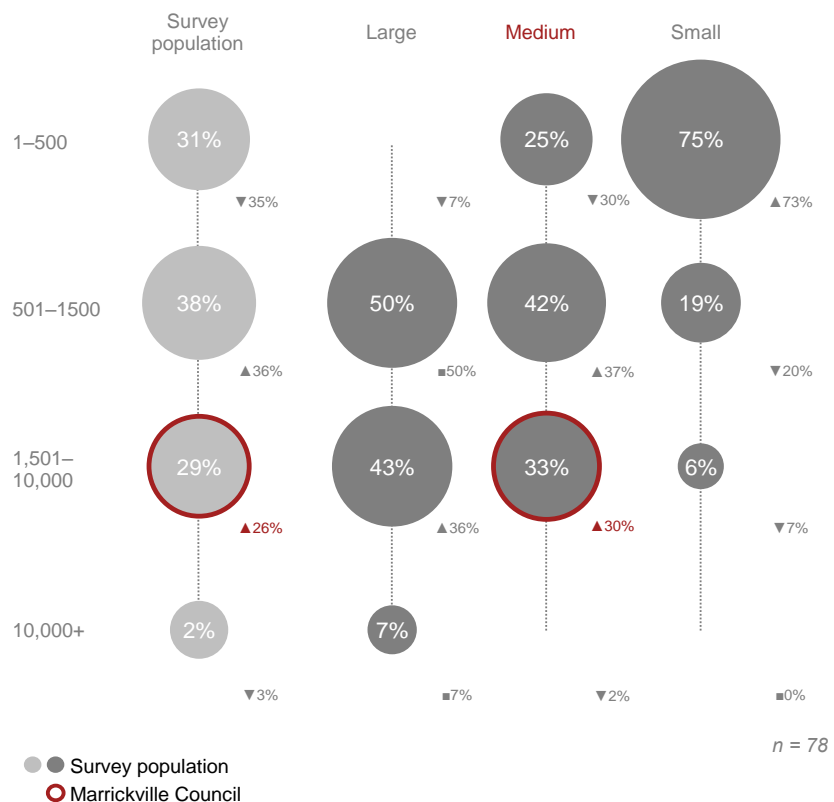


Figure 2.6: What was the total number of manual journals processed in the year ending 30 June 2014?



Delivering insights to senior management

Finance policy

Just over half of the surveyed councils are reviewing their finance policy on an annual basis. This group is predominantly made up of large and medium councils. It is a concern to see that over a third of smaller councils (38%) either do not have a finance policy or were unable to say how often they reviewed it and almost another third are only reviewing their finance policy every four years.

Establishing a documented finance policy is a crucial step in setting agreed risk parameters for a council. One relevant resource is Long Term Financial Planning, an eConnect module from Local Government Professionals Australia NSW. It covers the elements of a finance policy and how councils can construct one.

Reporting to senior management

An important role of the finance function is to provide timely insights to the senior management team. We continue to see that in around 50% of councils, the finance team shares approved monthly financial information with senior management. Large councils are almost 1.5 times more likely to receive this financial information on a monthly basis (64%) compared to smaller councils (44%).

Figure 2.7: How often is your Finance policy reviewed and approved by council?

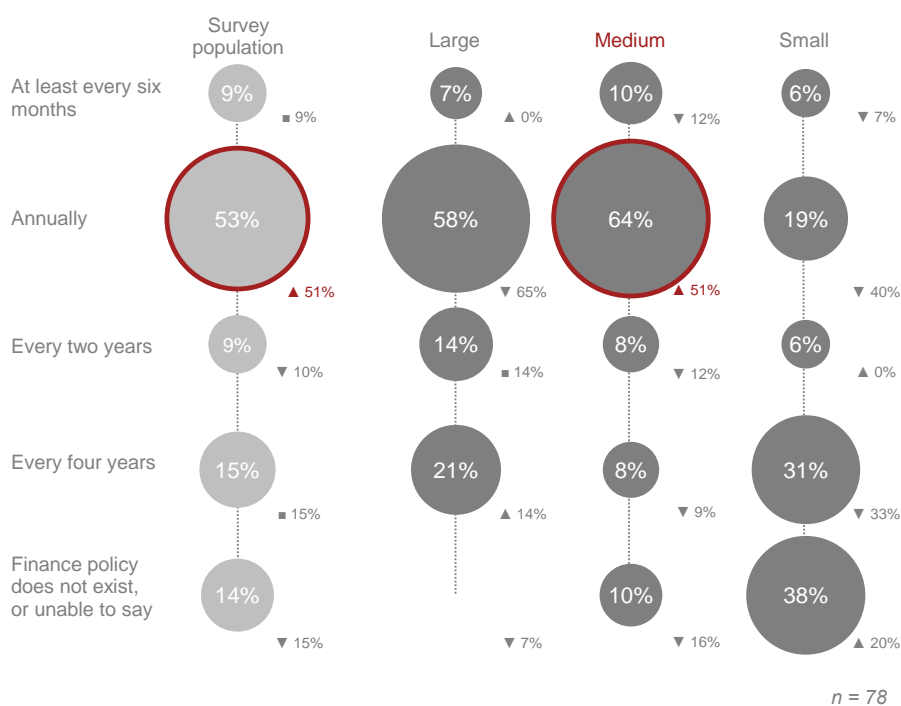


Figure 2.8: How often do you report approved financial information to senior management?



Delivering insights to senior management (continued)

Sharing financial results

Sharing financial results and business insights with various levels across a council creates a culture where employees are more engaged with the council's key performance drivers. Exposing team leaders and supervisors to a variety of financial metrics allows them to absorb and understand these key business drivers – and consider what it means to their business unit and team – before they move into the more senior levels of management.

This is evident in large councils, where 79% and 64% of finance teams share financial updates with team leaders and supervisors respectively. However, as council sizes reduce, there is less sharing of financial updates with lower levels of management – 50% of finance teams in medium-sized councils share financial information with team leaders and 38% with supervisors, compared to finance teams in small councils, where 25% share with both team leaders and supervisors.

Key considerations

- Is finance delivering the robust management information and insight needed to enable good decision making?
- How can you speed up regulatory compliance reporting so that finance can deliver valuable business insights?
- Do you share financial updates with all levels of management?

Figure 2.9: Who receives financial updates about council's performance from the finance department?



Balancing insight and efficiency

Budgeting

To streamline the budget process a council needs to assess the time it takes to deliver the budget, and identify the cause of any bottlenecks in the process.

When assessing the time councils spend on the budgeting process, we measured from the date the process officially began to the date the budget was finalised and loaded into the accounting system. The median results for the 2014–15 financial year budget process remain relatively high across councils of all sizes, ranging from 115 business days in small councils to 170 business days in large councils.

Looking deeper into the budget process, we see that finance teams spend most of their time preparing and refining the budget to obtain general manager approval, with a median of 82 elapsed business days, representing 65% of the total budget time. The next stage takes half that time, with a median of 39 business days for council to review and approve the budget, representing 31% of the total budget time. The final stage of finalising and loading the budget represents 4% of the total budget time.

Finance teams often wish they had more time to develop insights during the budget process, as opposed to just gathering information. They continue to spend an overwhelming amount of time and effort collecting, consolidating and reconciling data, undertaking analysis, and finalising budget review and approval.

Figure 2.10: Total elapsed business days for the budgeting process

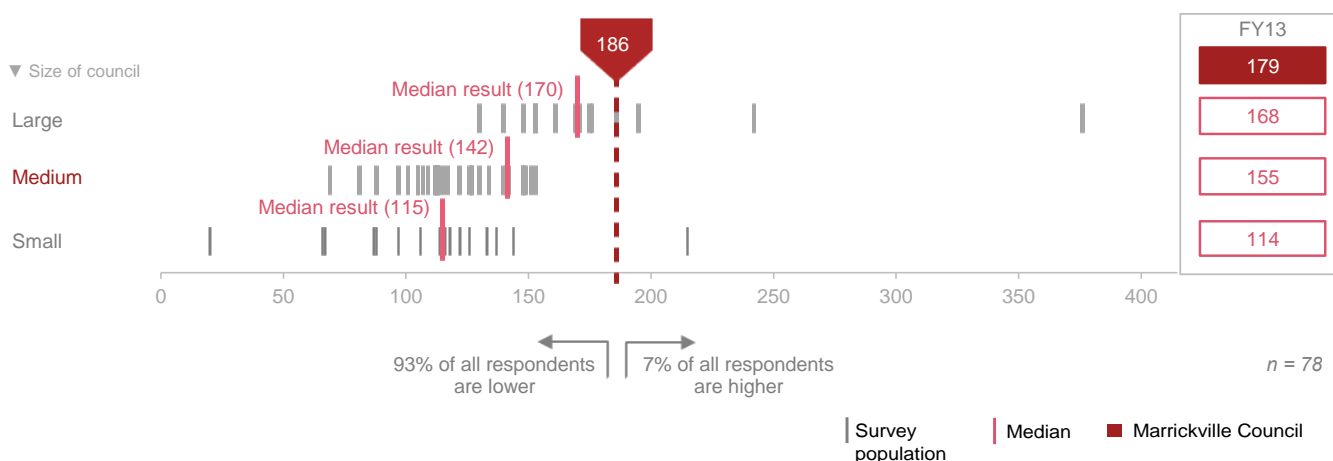
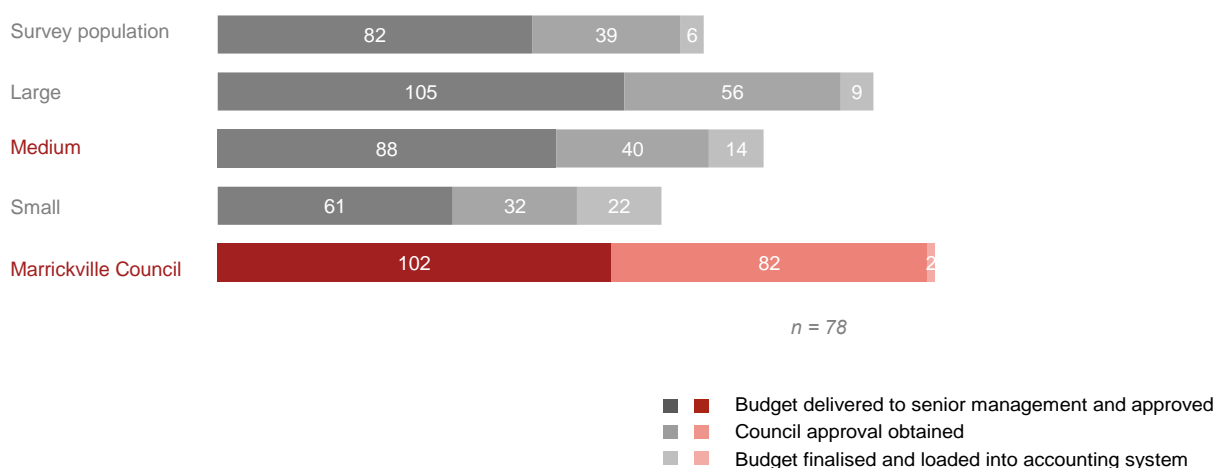


Figure 2.11: Breakdown of budget stages – elapsed median business days



Balancing insight and efficiency (continued)

Forecasting

Senior management teams rely on the finance function to do more than review historical financial data and prepare budgets and month-end reports. A rigorous forecasting process should also identify emerging trends, highlight business issues and deliver actionable insights.

As such, it is encouraging to see that 91% of councils (up from 86% in the prior year) are investing in a formal forecasting process. However, these forecasts could be prepared more frequently: only around one-quarter of councils prepare a monthly forecast.

This proportion is very low, considering 65% of our surveyed Australian Government organisations¹⁷ prepare forecasts on a monthly basis. Could the time taken to prepare budgets be encroaching on what may be a more valuable use of time by senior finance staff?

Key considerations

- In which areas of the planning, budgeting and forecasting process can you realise benefits by increasing automation?
- Would a more regular forecasting process reduce the time it takes to prepare budgets?

Figure 2.12: Do you formally forecast your performance to budget throughout the year?

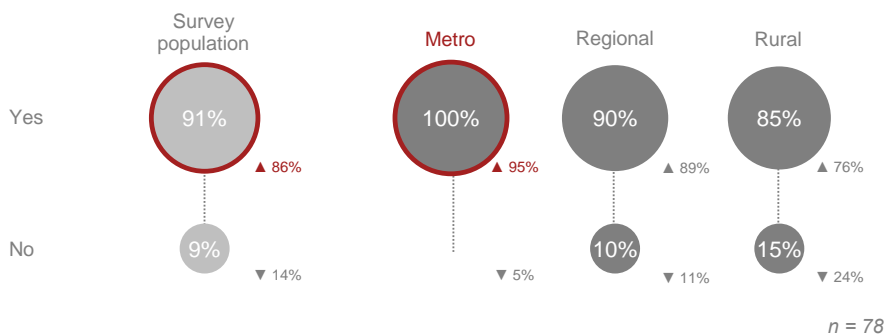
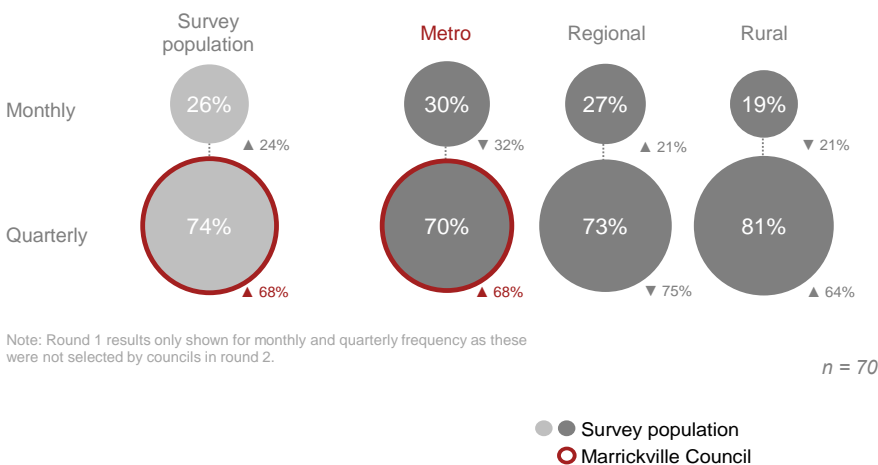


Figure 2.13: How frequently are forecasts prepared?



¹⁷ PwC Australia 2014, Benchmarking of Commonwealth and State government corporate services, 'Sustainable Productivity'

Are you leveraging technology to create real time insights?

Finance processes

Finance teams that invest in technology and automation generally ease the month- and year-end pressures by removing manual processes. This allows for better use of time, as finance professionals can analyse data and provide insights to senior management, rather than spend time gathering and manipulating data.

Our survey shows that 41% of councils are still manually loading information into spreadsheets to produce financial reports, which is slightly higher than the 37% of Australian Government organisations¹⁸ doing the same. At the other end of the spectrum, 22% of councils are tackling these challenges by increasing their use of business intelligence (BI) tools. This shows a higher uptake compared to Australian Government organisations, where only 11% are using BI tools.

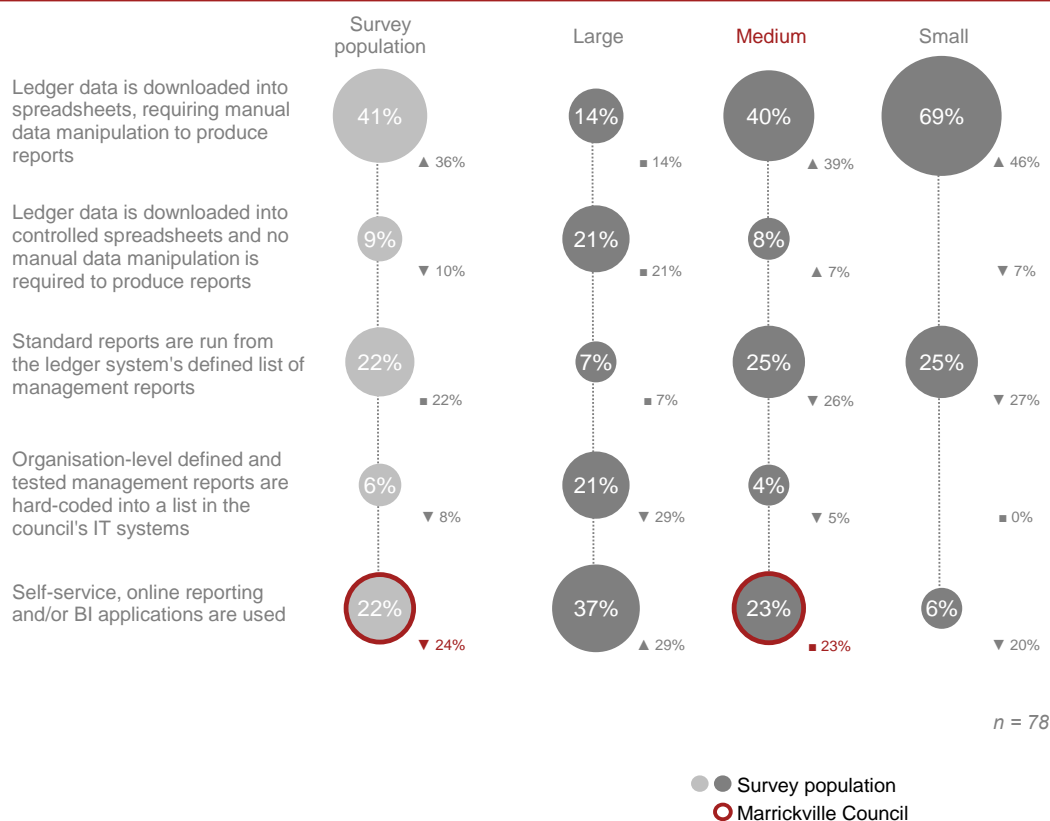
It is encouraging to see that more than a third of large councils (37%) have moved to a BI solution (up from 29% in the prior year), while 23% of medium-sized councils and only 6% of small councils use the same approach when producing key financial reports.

It is important to instil a level of governance, especially in small councils (69%), where financial reports are being produced using spreadsheets and manual manipulation of data. If the option to invest in BI tools is limited, it is essential to create a spreadsheet inventory and establish appropriate training, controls and review procedures for all finance team members. This should include an initial baseline integrity check of existing key spreadsheets. Focusing on end-to-end information management, where all inputs are complete and accurate, will also ensure the integrity of the outputs.

Key considerations

- Is your finance team frustrated by their lack of time to add business insight?
- Are you effectively leveraging technology in your reporting process?
- Does your management team feel it has the information it needs to proactively make decisions about the council?
- Would investing in business intelligence tools help your council focus on the right performance measures?

Figure 2.14: For the majority of key financial reports, what option is most aligned with the state of your council?



¹⁸ PwC Australia 2014, Benchmarking of Commonwealth and State Government Corporate Services, 'Sustainable productivity'.

Source of income

Revenue profile

Our survey continues to show that in the 2013–14 financial year, rates and annual charges comprised the largest portion of revenue for metro (58%) and regional (48%) councils. While the mix of income for metro councils has not varied over the past year, regional councils have seen a marginal shift, with a slightly higher proportion of revenue derived from user charges (21% up from 19%), and slightly reduced reliance on grants (25% down from 27%).

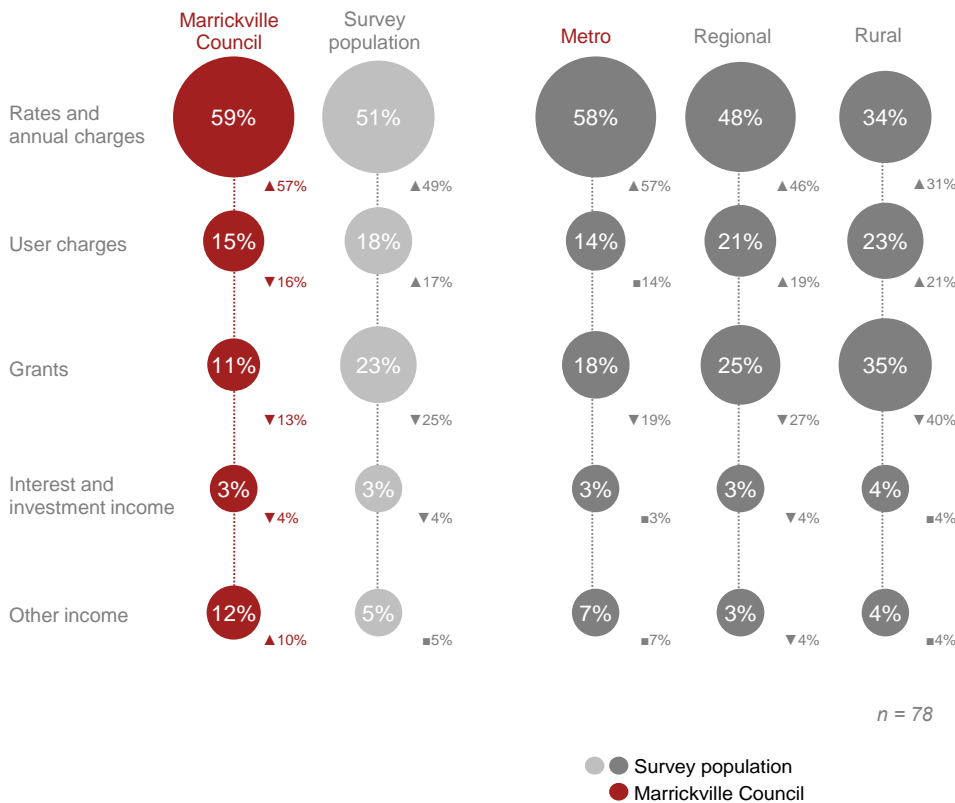
Interestingly, rural councils measured a shift towards rates and annual charges revenue (34%) compared to grants revenue (35%) in the 2013–14 financial year. In the prior year, rural councils only derived 31% of revenue from rates and annual charges, and 40% from grants. While the indexation of financial assistance grants to councils was only frozen in the 2014–15 financial year, it may be that councils were already preparing for and experiencing this change

We expect a shift in councils deriving the majority of their revenue from areas other than grants and contributions, as the Fit for the Future sustainability criteria set the own-sourced revenue benchmark at 60% (averaged over three years). Councils are being encouraged to increase rates, user charges and fees, and to look for alternative income streams to reduce their reliance on grants and contributions.

Key considerations

- Do you have the skills, resources and ability to identify additional income opportunities?
- What latent opportunities lie in your income streams, and fees and services?

Figure 2.15: FY14 revenue profile



Rates revenue

Category of rates

Rates are the principle form of own-sourced income and the most efficient means available of raising funds to cover essential services and infrastructure. As such, it is important for each council to understand the extent of its access to different categories of rates and rate payer.

Our survey indicates a very high reliance on residents and businesses in terms of efficient cash collection; residents comprise 75% and businesses 19% of all invoiced rates.

When calculating cash collected as a percentage of rates invoiced, resident and business ratepayers tend to pay their rates promptly; councils collected around 95% of invoiced rates during the 2013–14 financial year.

While farming only comprises 4% and mining 1% of rates invoiced, councils that derive a significant portion of their revenue from these rates may find their rate collections could be more volatile.

Our survey shows that the percentage of invoiced rates collected in the 2013–14 financial year was lower for these groups, with 90% cash collected for farming rates and 93% for mining rates. Councils with ratepayers in these categories may need to decide how slower cash collections may impact service delivery, and whether priorities need to shift should rate revenue decrease or take longer to collect.

Figure 2.16: FY14 category of invoiced rates

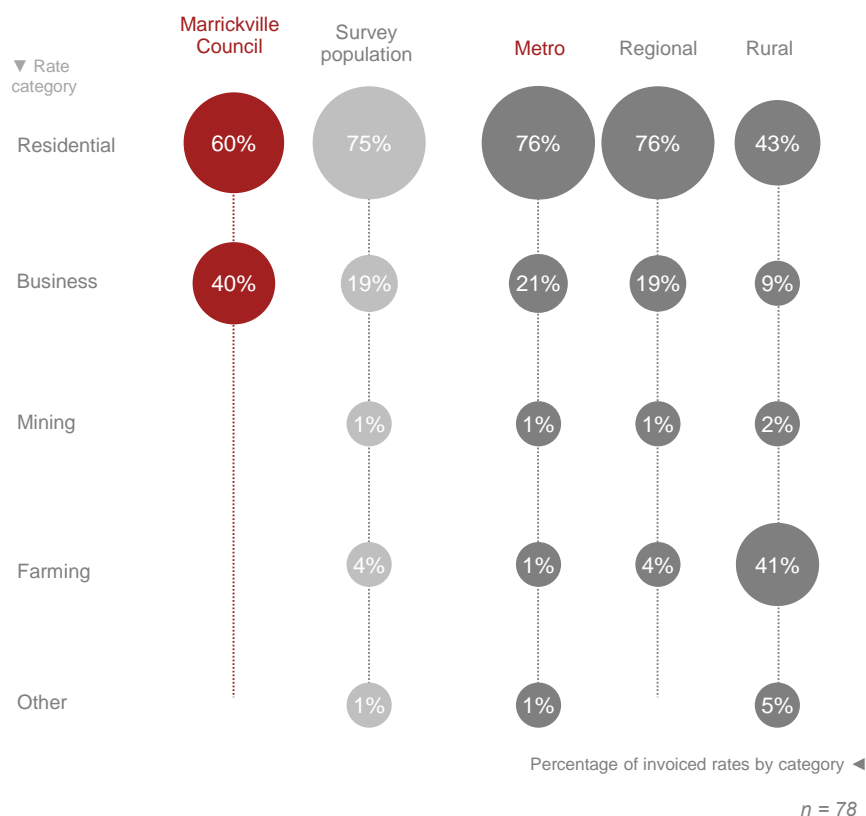


Figure 2.17: FY14 collection of rates



Optimising working capital

Collection of rates and annual charges

Assessing the speed at which a council collects rates and annual charges is an important indicator of whether working capital is being managed effectively. The charts below show the cumulative collection of rates and annual charges compared to the survey population – as well as quarterly cash collections – during the 2013–14 financial year.

Cash collections in rural councils have slowed in the past year; 58% of total rates and annual charges were collected by the end of the second quarter, down from 64%. This now places rural councils on par with metro councils, also at 58% collected by the end of the second quarter, with regional councils dropping by one percentage point to 57%.

Although a minor change such as this may seem insignificant, the infographic below shows the dollar-value equivalent of 1% of rates and annual charges collected. Based on this, councils can calculate how far ahead or behind they may be, quarter by quarter.

Figure 2.18: FY14 cumulative collection of rates and annual charges

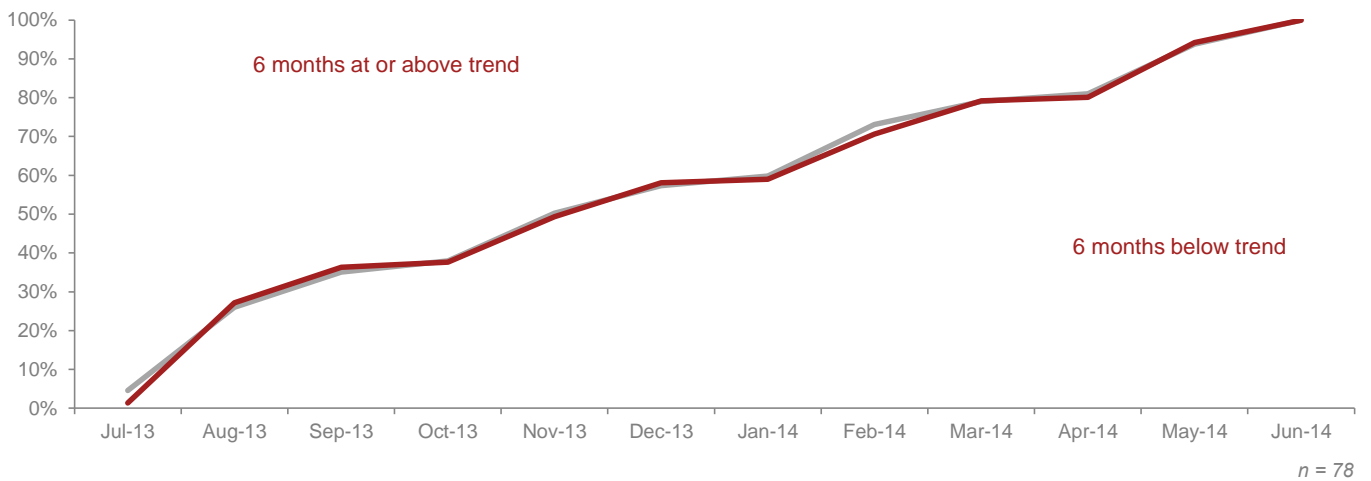
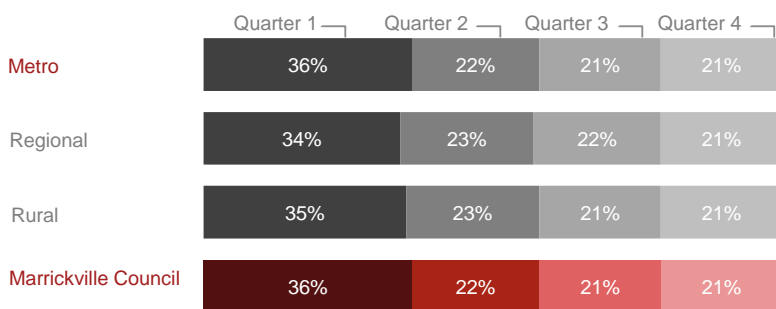


Figure 2.19: FY14 quarterly collection of rates and annual charges



Percentage of rates and annual charges collected ◀

n = 78

Every 1% is equal to
\$417k
 for your council

Optimising working capital (continued)

Electronic delivery of rates notices

An interesting insight is the rise in the number of councils offering or developing a service that allows residents and businesses to receive their council rates notice electronically – 45% of councils compared to only 33% in the prior year. Rural councils have a way to go in this area; 88% did not offer or develop this service during the 2013–14 financial year, compared to 39% of metro and 38% of regional councils.

Electronic billing allows councils to reduce paper and postal costs, and improve cash collections. Rates notices are one of the few personally addressed notices some residents may receive from their council, and shifting to electronic delivery signals to the community that the council has a progressive attitude towards adopting new technology.

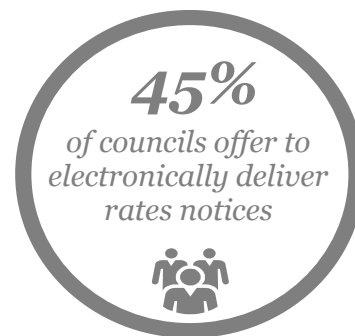
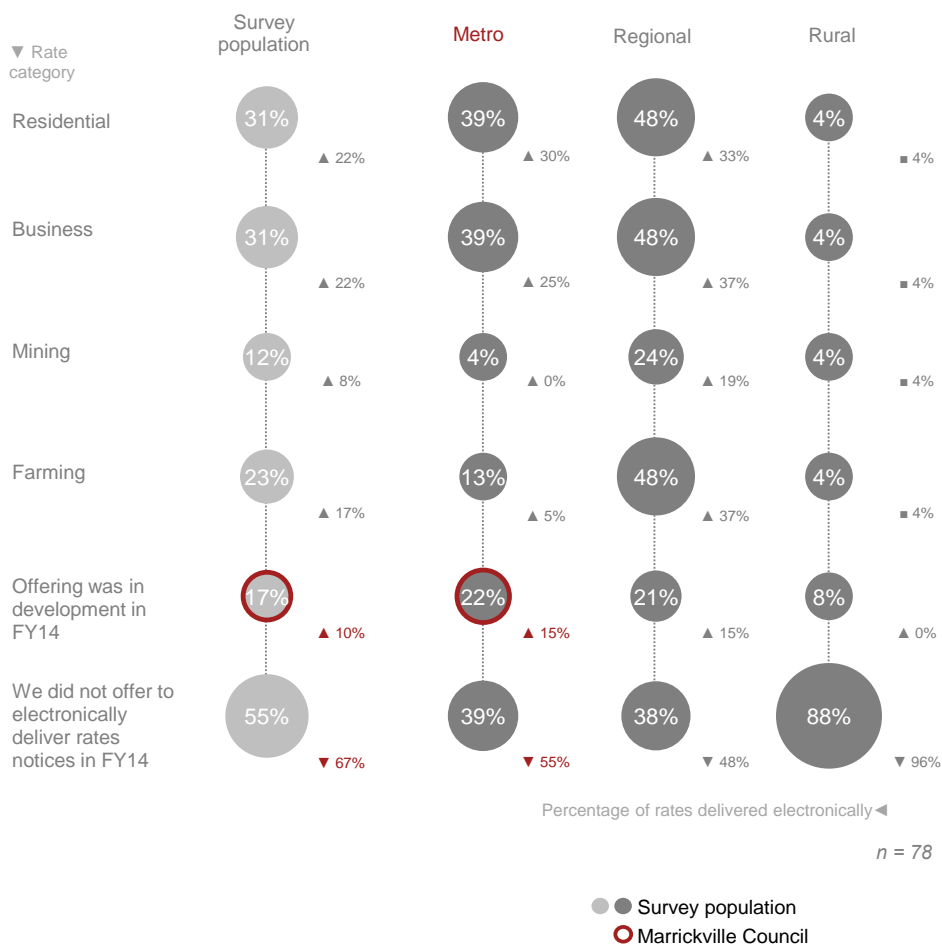


Figure 2.20: During FY14, which ratepayers could elect to receive their rates notice electronically?



Tracking and managing capital projects

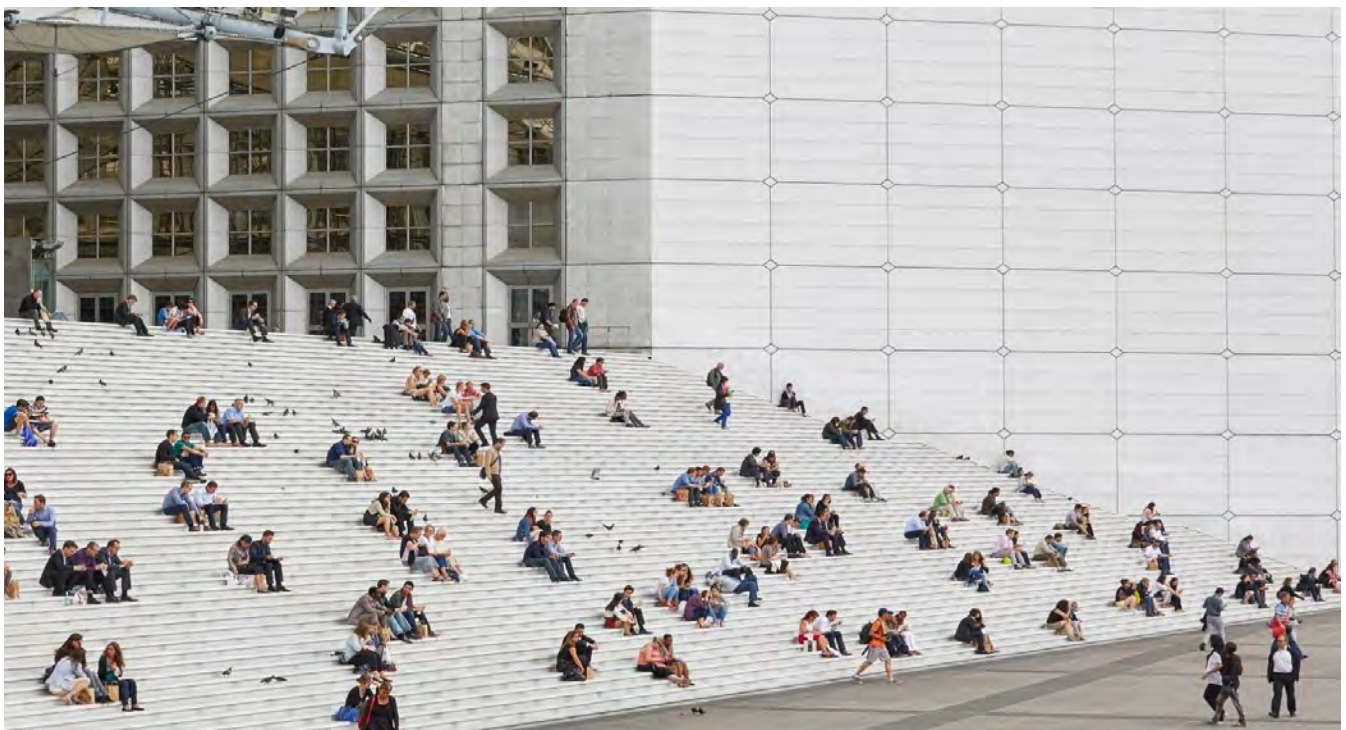
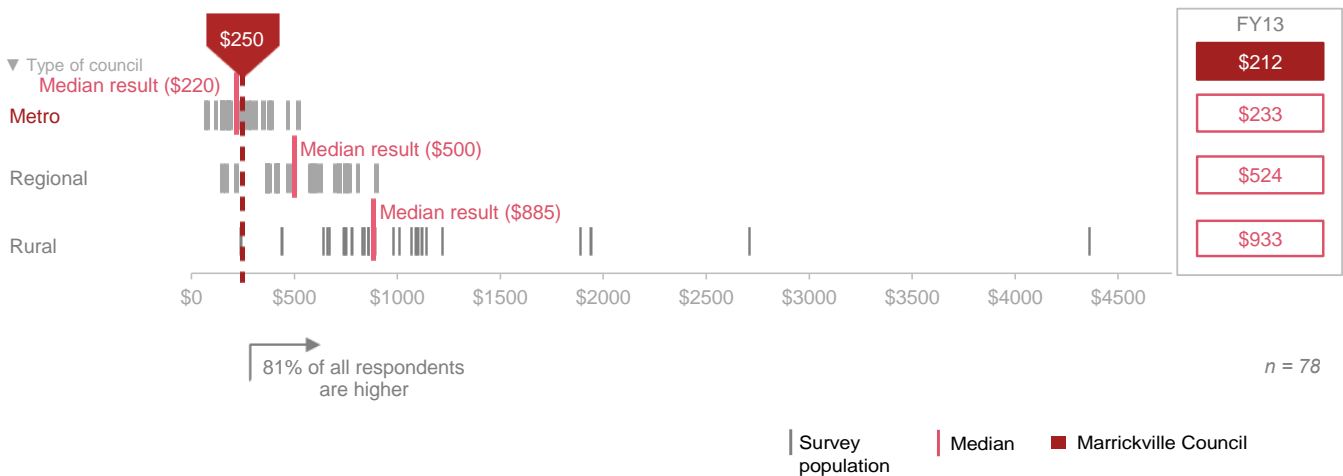
Capital project expenditure

The effective management of capital expenditure is particularly important due to local government's asset-intensive nature. We continue to see a spread in capital project expenditure, ranging from a median of \$220 per resident in metro councils to \$885 per resident in rural councils. A key component of this higher spend per resident in rural councils is the maintenance required for large-scale regional infrastructure such as, but not limited to, roads and bridges.

The median capital expenditure per resident, decreased in the 2013–14 financial year, across metro, regional and rural councils. The sharpest decrease per resident is in regional and rural councils, which may be linked to the decline in the proportion of revenue these councils derive from grants.

The Fit for the Future process is highlighting the need for councils to increase their spending on asset renewal and new capital projects. Debt service benchmarks have doubled and councils are being encouraged to borrow on the basis of inter-generational equity, even if they do not need to. There is an expectation that the infrastructure backlog will be addressed through increased borrowings, and that repayments will be funded through special rating variations and new income streams.

Figure 2.21: Total capital expenditure per resident



Tracking and managing capital projects (continued)

Project management

Council operating budgets generally have a limited capacity to absorb variations in the financial outcomes of capital projects. As such, it is good practice to have business cases approved before appropriating budget allocation and to have senior management formally track approved projects using an established project management framework.

We found that metro and rural councils are far more likely than regional councils to have a business case signed off prior to budget appropriation: a minimum of 80% of metro and rural projects were always or mostly approved, compared to only 69% in regional councils.

When it comes to the overall management of capital projects, it is encouraging to see more councils shift into the top right-hand quadrant of the chart in Figure 2.23: 63% of councils now formally track and project-manage all or most of their capital projects (up from 54% in the prior year). Given the high volume of spending in this area, this type of rigour around project management is recommended, and ideally all councils would be in the top right-hand quadrant.

Figure 2.22: Are all business cases requiring capital expenditure approved before budget appropriation?

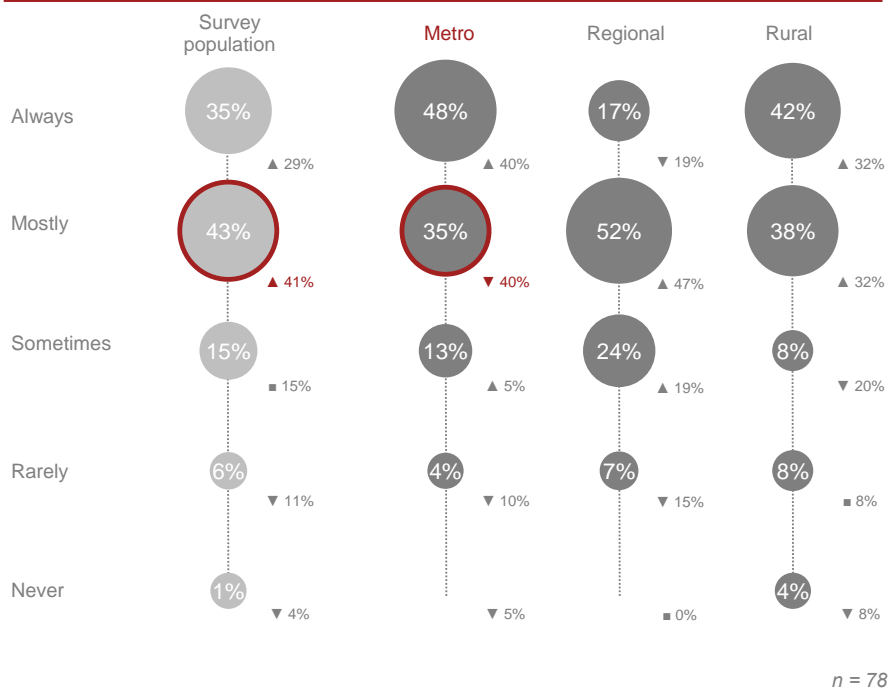
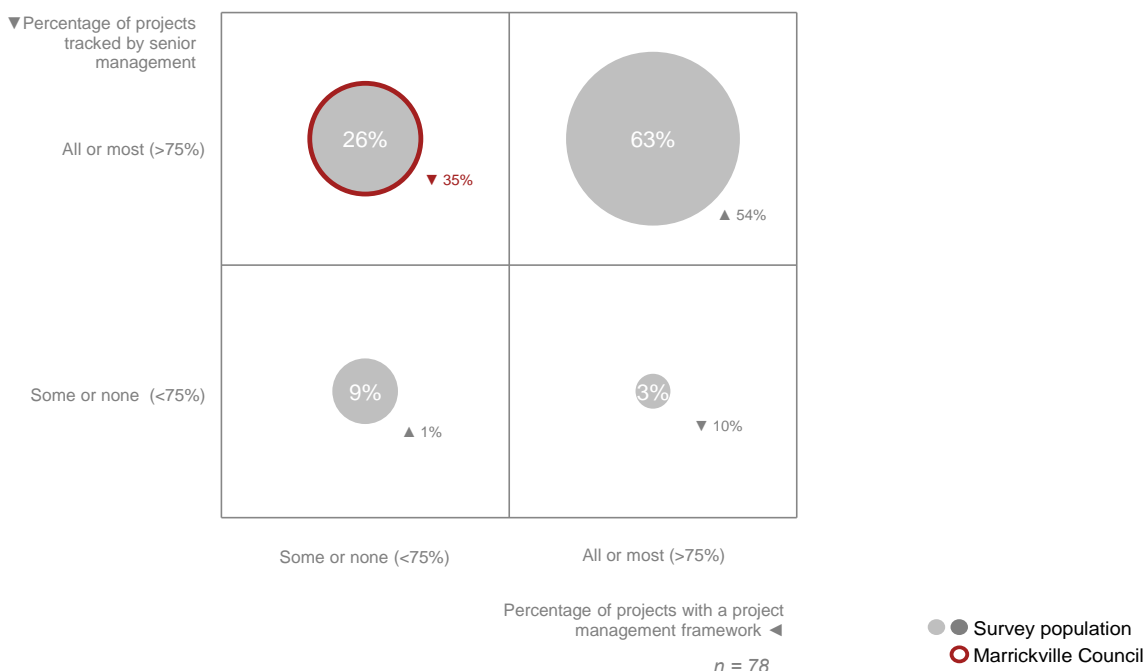


Figure 2.23: Tracking and managing capital projects



Operations



Operations trend summary

Marrickville Council

Metric	Council	Round 1	Round 2	Change from round 1 to round 2
1. Corporate service staff per 100 employees	Marrickville Council	13.2	13.1	■ -
	Survey Population	8.5	8.7	■ -
2. Formal IT strategy in place	Marrickville Council	Formal	Formal	No change
	Survey Population	43% (Formal)	53% (Formal)	▲+10%
3. IT spend per employee	Marrickville Council	\$6,273	\$7,687	▲+\$1,414
	Survey Population	\$4,642	\$4,899	▲+\$257
4. Effectiveness of IT systems	Marrickville Council	Adequate	Adequate	No change
	Survey Population	58% (Adequate)	61% (Adequate)	▲+3%
5. Customer service FTE per 10,000 residents	Marrickville Council	2.6	2.6	▼-0.1
	Survey Population	1.5	1.4	■ -
6. Frequency in reporting unresolved 'open' general enquiries to senior management	Marrickville Council	When triggered by a key event	Monthly	Changed to monthly
	Survey Population	28% (When Triggered By A Key Event)	40% (Monthly)	
7. Percentage of improved customer service measures against the charter	Marrickville Council		50%	
	Survey Population	26%	25%	▼-1%
8. Percentage of Operational Plan actions achieved	Marrickville Council	77%	85%	▲+23%
	Survey Population	62%	83%	▲+6%

Fostering productive corporate services functions

Corporate services

While corporate service functions generally perform within tight constraints, if resourced effectively by experienced and highly skilled employees – and supported by appropriate systems – they can improve business processes and provide insights that help the business make critical decisions for the future.

Our study focuses on four key areas within corporate services: customer service, finance, human resources and IT. Our survey results show that finance and customer service comprise the largest portion of total corporate service full-time equivalents (FTEs) across all councils (33% and 31% respectively). Interestingly, finance and customer service grouped together, in large councils, represent 57% of corporate service FTEs compared to 73% for small councils, indicating that for large councils, scale and/or a greater degree of automation may ease the FTE demand in these areas.

Councils of all sizes have invested in IT resources over the past year. This is reflected in the rising number of councils with a formal IT strategy, as well as the increase in IT spend per employee. We discuss the importance of digital transformation further in this section of the report.

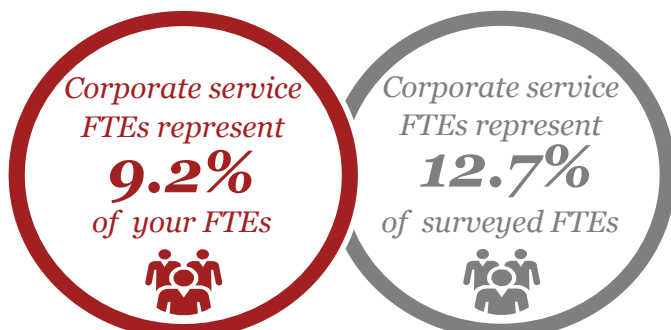
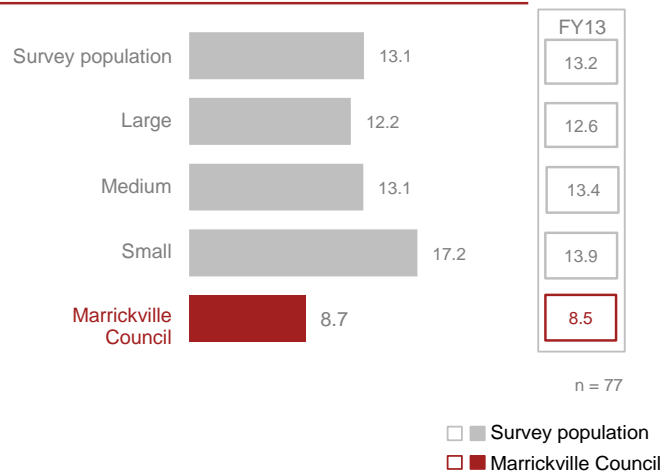
While small councils have seen the largest growth in IT FTEs, moving from 8% to 12% of total corporate service FTEs, they still have a long way to go compared to large councils. Large councils have a significantly higher workforce investment in IT corporate service areas, where IT represents 25% of corporate services. We urge all councils to consider the impact of the digital age and whether they are investing appropriately in the IT department to streamline manual processes, enhance reporting and reduce duplication of effort.

Our survey continues to reveal the economies of scale that operate in some corporate service functions. In the 2013–14 financial year, the difference between the resources large and small councils allocated to corporate services widened. The median result of 12.2 staff members for every 100 employees in large councils compared to 17.2 staff per 100 employees in small councils, now represents a 41% difference in resources employed – significantly higher than the 10% difference in the prior year.

Figure 3.1: Breakdown of corporate service FTEs



Figure 3.2: Median corporate service staff per 100 employees



Conducting service reviews

Service reviews

The 2013–14 financial year saw an escalation in councils systematically and formally reviewing their services (either internally or externally) to identify potential service delivery improvements. We found that just over two-thirds of councils (68%) conducted at least one service review in the 2013–14 financial year, compared to only 52% of councils in the prior year. This indicates that councils are placing greater emphasis on improving efficiency in corporate services.

There is a remarkable difference in the level of formality and governance when it comes to advising senior management of the outcomes of these service reviews. Only 15% of rural councils that performed service reviews then reported the outcomes to senior management. This is in stark contrast to metro and regional councils, where 57% and 41% respectively reported the outcomes to senior management.

While the percentage of regional and rural councils performing service reviews has increased – 69% and 42% now conduct reviews (up from 55% and 32% respectively) – 96% of metro councils conducted a review in the 2013–14 financial year. This indicates that reviews have become a normal part of how metro councils improve their service delivery.

Taking into account service reviews conducted across all councils during the 2013–14 financial year, the top three areas vary slightly. IT (43%) is the top area reviewed and requiring the most change, and has shifted up from the number two position compared to the prior year. This supports the increased IT FTE effort and spend per employee revealed in other areas of our survey. Procurement (33%) makes it into the top three across all councils and sits at second place (down from first place in the prior year), closely followed by human resources (32%) shifting up from fourth to third place compared to the prior year.

Figure 3.3: During FY14, did your council complete service reviews?

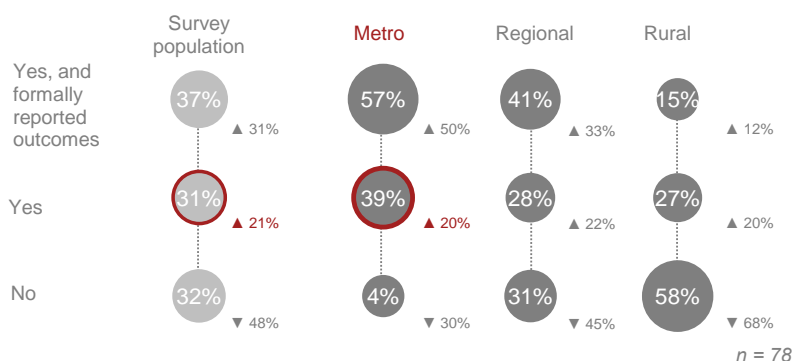
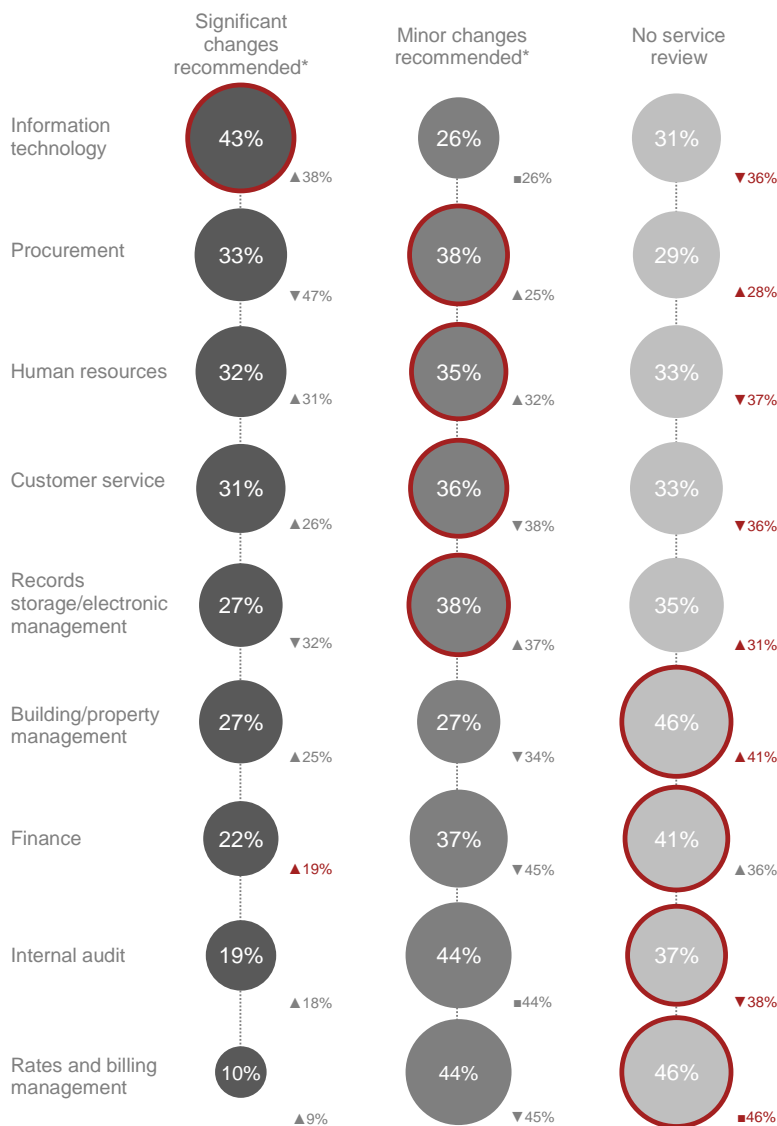


Figure 3.4: Extent of recommended changes from corporate service reviews



* 'Significant changes' includes both significant and somewhat significant.
 * 'Minor changes' includes both minor and no changes.

● Survey population
 ○ Marrickville Council

n = 78

Leading councils have an IT strategy

Importance of an IT strategy

Digital transformation is positively influencing the way organisations do business and interact with their customers. The 2015 PwC Global CEO survey¹⁹ found that nine out of 10 of Australian CEOs believe that the number one disruptive trend they face is digital innovation and its impact on customer behaviours. Furthermore, 88% of global CEOs see digital technology as creating the most value in terms of improved operational efficiency.

To remain at the forefront of growing digital trends, councils must implement effective IT strategies and systems. IT departments have the potential to harness these opportunities and work with senior management to create a clear vision, strategy and comprehensive plan to **support the organisation's digital transformation**. It is crucial that the leadership team actively supports the IT department, given the new skills, capabilities and experience required for this department to transition into the digital age.

Our survey reveals an improvement across councils when it comes to establishing a formal IT strategy that aligns with the business strategy. There are now 53% of councils with a formal IT strategy in place, up from 43% in the prior year. This increase is being driven by metro and regional councils, with the largest growth coming from regional councils (up from 48% to 66%), followed by metro councils (up from 50% to 65%). A significant number of rural councils (42%) still do not have an IT strategy, down from 44% the previous year.

There are minor improvements in the effectiveness of IT systems supporting the business overall; 26% of councils regard their IT systems as effective compared to 24% in the prior year. However, further examination of this result shows metro councils are driving this increase; 39% rate their IT systems as effective compared to 25% in the prior year.

It is a concern that regional and rural councils regard their IT systems as less effective compared to the prior year. Only 17% of regional councils (down from 19%) and 24% of rural councils (down from 28%) regard their IT systems as effective. Now is the time for regional and rural councils to reconsider their vision and action plan for future digital investment.

Figure 3.5: Does your council have a formal or draft IT strategy that aligns with the business strategy?

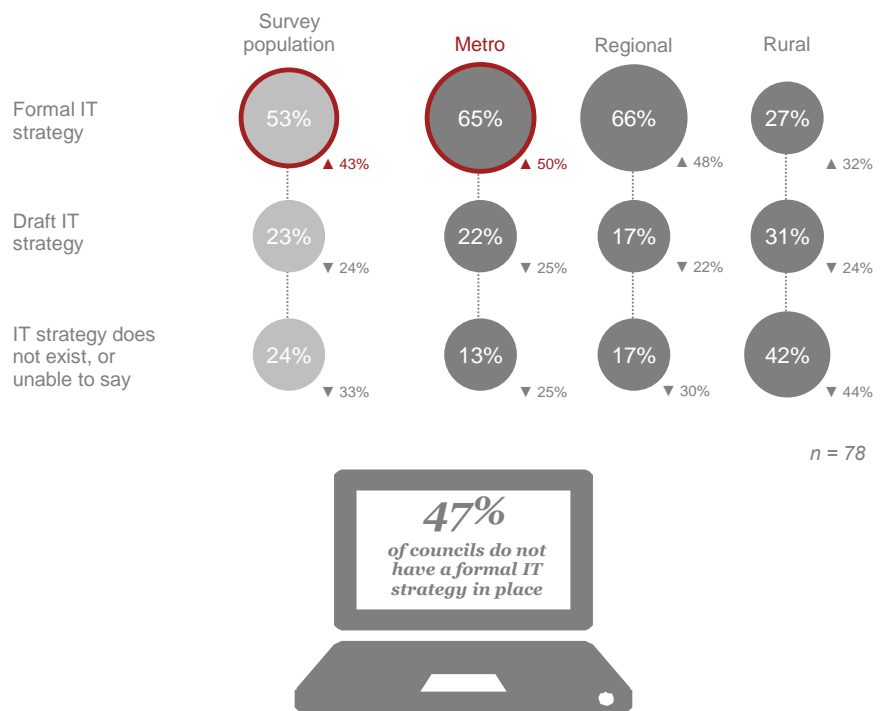


Figure 3.6: How effective are IT systems at supporting your business?



¹⁹ PwC 2015, 18th Annual Global CEO Survey, 'A marketplace without boundaries? Responding to disruption'.

Leading councils have an IT strategy (continued)

IT spend

Our survey shows a correlation between councils that rate their IT systems as effective and those that have a formal IT strategy. Councils that rated their systems as effective were more than twice as likely to have a formal IT strategy in place (34%), compared to councils without an IT strategy (16%) or with only a draft IT strategy in place (17%). Additionally, only a small minority of councils with a formal IT strategy rated their systems as inadequate (5%), compared to councils without an IT strategy (32%). Councils without a clear and formalised IT strategy should question how this affects the effectiveness of their IT systems.

Our findings on IT spend per employee continue to vary significantly across all councils. Large councils are making a higher relative investment in IT infrastructure, with a median spend of over \$6,500 per employee, while that figure drops to just over \$3,000 per employee for small councils. Although councils of all sizes have seen an increased median spend per employee compared to the prior year, indicating increased investment in IT, large councils have rapidly increased their investment by 25% over the past year.

We understand that while local government reforms may place a dampener on longer-term IT investment, it is important to identify business areas that can benefit from integrated IT systems. Senior management teams need to carefully consider this factor, to ensure continued progress even in uncertain times.

● Survey population
 ○ Marrickville Council

According to *Implementing a World Class IT Strategy*²⁰, “IT should have its own plan that is a complement to the strategies of the other divisions.” With this in mind, councils should consider the following when developing their IT strategies:

- Do you have a clear vision on how digital technologies can help deliver outcomes while also reduce cost?
- Does your leadership team actively sponsor the IT department and champion the use of digital technologies?
- How will you acquire and develop the digital skills and capabilities you need in the future?
- Are members of the IT team aligned with clear points of contact within the business units?
- Does your IT strategy align with the council’s overall organisational objectives?
- How will you continue to improve your IT approach regardless of potential structural changes?

Figure 3.7: Correlation between effective IT systems and having a formal IT strategy

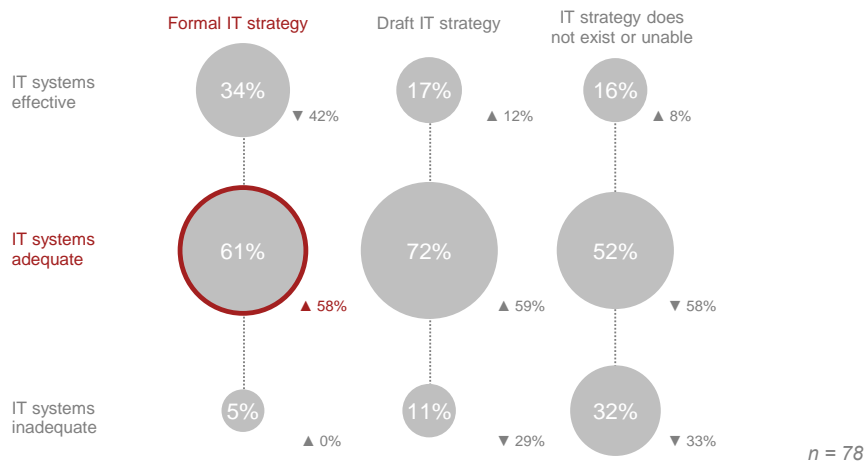
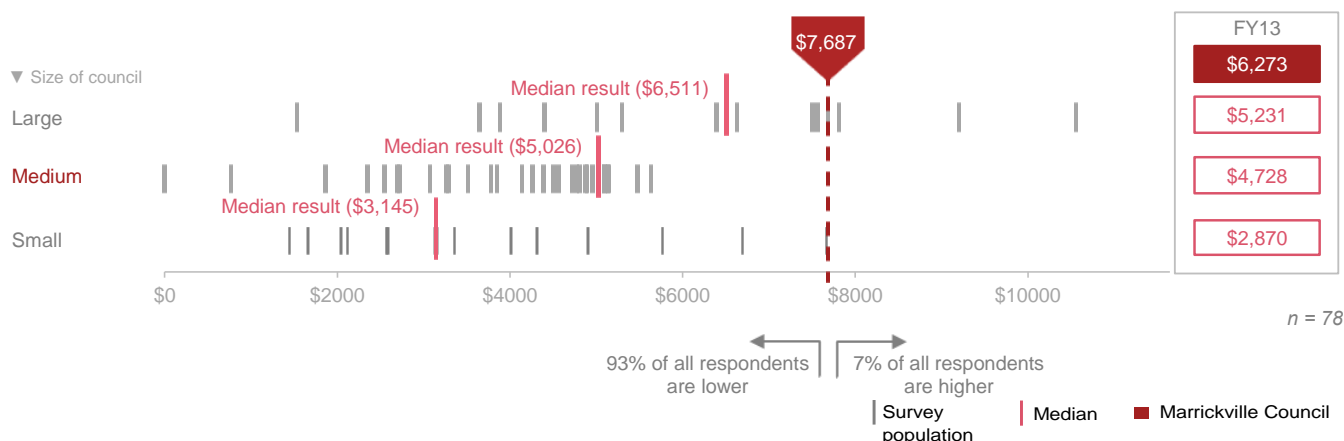


Figure 3.8: IT spend (\$) per employee



²⁰ Peter A. High, 2014, *Implementing World Class IT Strategy: How IT can drive organisational innovation*. Synopsis available at www.forbes.com/sites/peterhigh/2014/09/22/does-it-strategy-matter. Viewed 25 March 2015.

Managing your IT projects

IT priorities

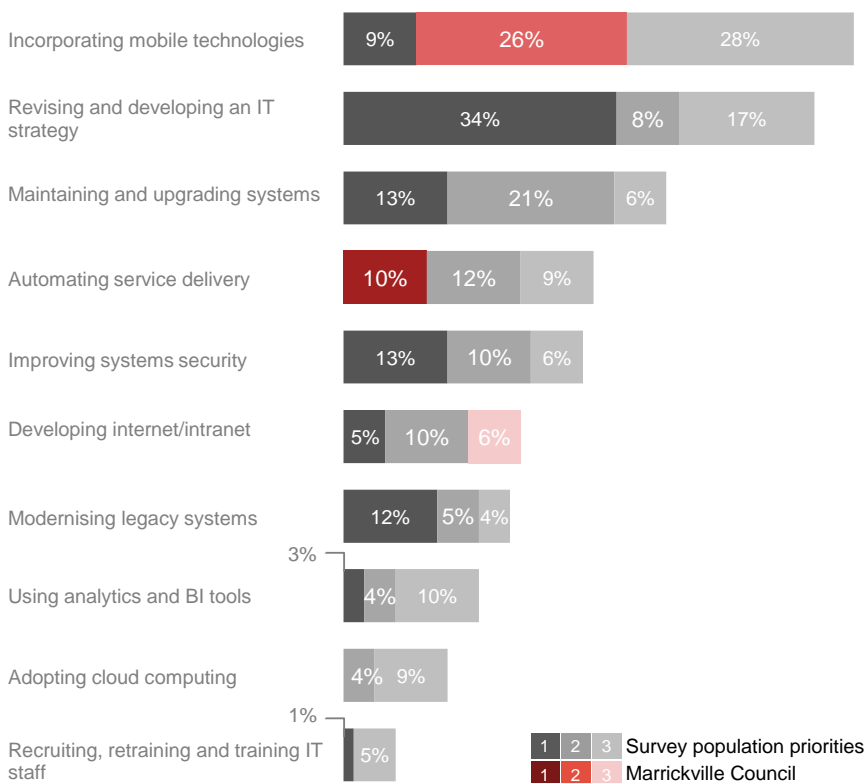
Councils' top three IT priorities over the next three years have shifted slightly. Incorporating mobile technologies (63%) is now in the number one position; revising or developing an IT strategy (59%) shifted from the top to the second priority; and IT systems maintenance and upgrades (40%) remained the third priority.

It is very encouraging to see that the councils surveyed now place greater emphasis on incorporating mobile technologies, with 63% of councils regarding this as a top priority, compared to 53% of councils in the prior year. This mirrors Gartner's top 10 trends for technology in 2015.²¹ Gartner identifies 'computing everywhere' as the biggest trend for 2015. The use of every objects – such as phones, watches, bracelets and clothes – as wearable devices is a real case of how 'computing everywhere' is driving new approaches to the way people and computers interact. Councils should consider how technological innovations are impacting the lives of their residents, businesses and employees, and assess the options for better interaction and engagement with these groups.

Although revising or developing an IT strategy is now the second priority overall (59%), it is not far behind incorporating mobile technologies. This is again particularly important for the 47% of councils without a formal IT strategy, and indicates that the popularity of just 'planning to have a plan' may reflect an overall uncertainty on how to respond to the rapidly changing IT environment.

Revising or developing an IT strategy as a second priority is also reflected in PwC's most recent survey of Australian federal and state government agencies²², with almost 60% of participants reporting it as a top priority. However, 72% of surveyed Australian government agencies report maintaining and upgrading systems as their top priority, compared to 40% of councils that report this as a third priority. While this indicates that local government prefers to develop mobile technologies, it is important that each council assesses its ability to keep up with advanced technologies while resolving the sustainability of its legacy systems.

Figure 3.9: What are your top three IT priorities over the next three years?



n = 78

²¹ Gartner 2015, 'The top 10 strategic technology trends for 2015', viewed 25 March 2015, <www.gartner.com/smarterwithgartner/gartners-top-10-strategic-technology-trends-for-2015/>.

²² PwC Australia 2014, Benchmarking of Commonwealth and State government corporate services, 'Sustainable Productivity'

Managing your IT projects (continued)

Project management and governance

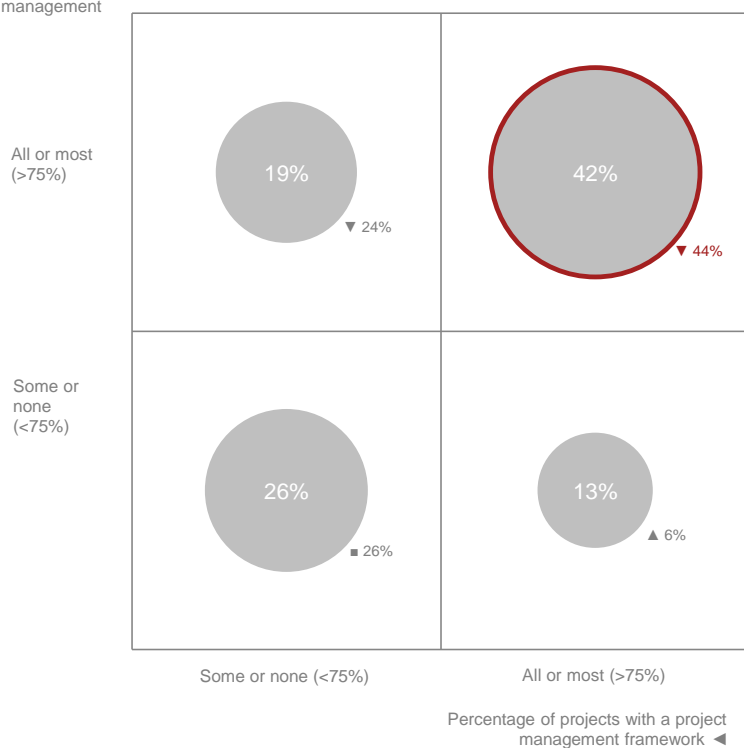
Effective project governance and management are essential to running successful IT projects. Organisations that have a project management framework – and that facilitate accountability, by having senior management track the development of IT projects – indicate that they are committed to successfully delivering projects.

Our survey found that 42% of councils have a project management framework in place and have senior management track all or most IT projects; that is, management has a strong role in overseeing projects. While this is encouraging, the percentage of councils managing projects in this way did decrease slightly from 44% in the prior year.

Given the potential significance of IT projects – let alone the size of these projects and the related costs – it is concerning that just over a quarter of councils (26%) continue to have limited governance and rigid project management systems. Councils where 'some or no' projects have a project management framework and are tracked by senior management should look to improve their governance protocols and project management style for existing and upcoming IT projects.

Figure 3.10: Tracking and managing IT projects

▼ Percentage of projects tracked by senior management



n = 78

- Survey population
- Marrickville Council



Case study: Penrith City Council

Operations: IT change management

When did Penrith City Council (Penrith) identify there was a case for change?

The results of our employee opinion survey, conducted in 2012 and 2013, highlighted the need for changes to Penrith's information technology (IT) systems and processes. The survey showed that council employees were significantly dissatisfied with IT and thought it impeded productivity.

What approach did Penrith take?

In 2013 and 2014, we conducted a series of internal consultations and problem-solving forums with all the council's managers. One of the problem solving forums was focused specifically on IT with the objective to identify the aspects of IT impeding productivity and innovation, and to identify potential solutions. As a result, in 2014 and 2015 we:

- established a new department responsible for business improvement, called 'Organisational Performance and Development',
- created a high level information and communications technology (ICT) steering committee, responsible for overseeing IT
- commissioned an external review of IT
- developed a new, clear ICT strategy to modernise systems, infrastructure and skills
- completely restructured the ICT department to facilitate change
- created 16 IT system risk and remediation projects, which are now underway, while negotiating new service contracts.

What resource effort was required to deliver change?

We identified the resources required and established an ICT steering committee. This committee is responsible for driving the change program and commissioning and overseeing the external review of IT. It also identifies opportunities for external consultants to provide expert advice.

We envisage that the future IT budget will be between \$1.5 and \$2 million over a fixed term.

What results did the change achieve?

The ICT steering committee targeted a selection of 'quick wins' within the first two months, to engage staff and demonstrate the benefits of the change management program. These quick wins included faster printing, faster resolution of IT problems and providing the customer service team with better tools. As a result, the IT department felt re-energised and innovation became a key item on its agenda.

Given the program is in its early stages we are yet to realise its long-term benefits, but the creation of 16 IT system risk and remediation projects is expected to deliver substantial benefits to Penrith and its staff members.

How does Penrith measure and review progress?

Regular structured reviews are a key part of the IT change management process. The ICT steering committee reviews all change projects and reports to the corporate leadership team on progress. We will implement a full review of the change program in November/December 2015.

What challenges did Penrith face?

The culture surrounding IT needed to change. IT needed to become agile, innovative and proactive, with high expectations and high standards set within the team. It was vital to overcome these challenges to deliver a leading IT solution for Penrith.

Establishing a steering committee with responsibility for driving change was critical, as was the appointment of an experienced change management expert. Regular communication with staff members was also key to overcoming challenges and obstacles.

The new vision for IT was shared with the IT team from the outset. Every member was invited to embark on the journey, with targeted training programs in place to provide new skills where needed, or a transition to other opportunities if preferred. The result has been a more motivated IT department.

What recommendations would Penrith give to other councils?

When embarking on a change management program, it's critical for the General Manager and senior leadership team to drive and sponsor the change. Personnel with relevant skills need to be appropriately allocated, and their roles clearly communicated across the council. Staff resources should be allocated ahead of time to allow projects to begin on schedule, with the right support.

What does the future look like?

The ICT change program has seven guiding principles to steer the future of IT at Penrith. These include:

1. integrated systems
2. cloud first
3. mobility
4. simple and easy application delivery
5. responsive and appropriate design
6. self-service
7. keeping software up to date.

Customer service scorecard

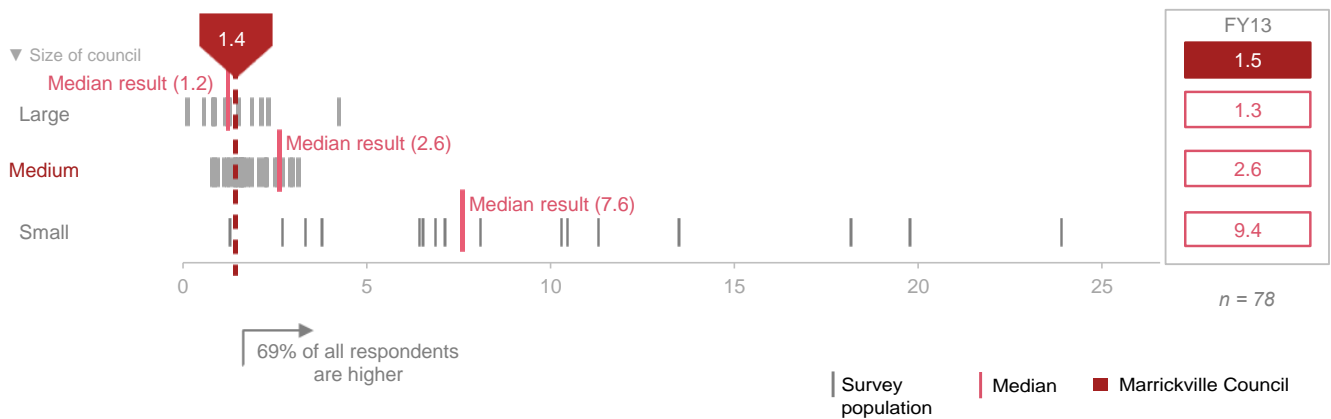
Servicing the community

Businesses are starting to realise the importance of embracing technology to create value for customers. Councils also have much to gain by using technology to drive innovation and transform the way they engage with residents and businesses. They are dealing with a new generation of consumers who want more accessible, portable, flexible and customised products, services and experiences.²³

It is clear that technology allows councils to deal with customer service enquiries more quickly and smoothly. It can also **improve service levels within a council's** customer service department, and alleviate resourcing pressures and costs. Large and medium-sized councils continue to operate customer service functions with a median of 1.2 and 2.6 customer service FTEs per 10,000 residents respectively. Small councils (primarily driven by rural councils) have a substantially higher median of 7.6 customer service FTEs per 10,000 residents, although this is a 19% reduction from the prior year.

Given it is clear that small and medium-sized councils continue to operate with significantly higher ratios of customer service staff per 10,000 residents, there are probably opportunities to achieve economies of scale by working with neighbouring councils and sharing resources. It is critical for councils to investigate how they can use technology to support this co-ordination.

Figure 3.11: Customer service FTE per 10,000 residents



The art of understanding

CEOs are in no doubt about the role information can play in gaining insights about their customers and how to engage with them. Mobile technologies have been around for decades, but the sheer ubiquity of mobile devices today **has revolutionised customers' ability to obtain information. The number of mobile phone users globally was expected to reach 4.55 billion in 2014 – nearly 70% of the world's population – with 1.75 billion smartphone users.**²⁴ The volume of mobile traffic generated by smartphones is now about twice that of PCs, tablets and routers combined – despite having only surpassed them in 2013²⁵ – and is predicted to grow tenfold by 2019²⁶.

²³ PwC 2015, *18th Annual Global CEO Survey*, 'A marketplace without boundaries? Responding to disruption'.

²⁴ eMarketer, *Smartphone Users Worldwide Will Total 1.75 billion in 2014*, 6 January 2014

²⁵ 2013 Ericsson Mobility report

²⁶ Ibid.

Customer service scorecard (continued)

Effective customer service

An effective customer service team should report unresolved general enquiries to senior management on a weekly basis. This keeps senior management properly informed of issues facing the community and demonstrates to the community that the council responds to enquiries promptly. Our survey continues to show overall low results: few councils (14% up from 13% in the prior year) currently have a weekly reporting schedule. Metro and regional councils are twice as likely to report weekly (17% each), compared to rural councils (8%), which should consider reporting unresolved general enquiries more frequently.

We also found that 68% of councils use social media to engage with residents and businesses, and 86% of councils have a website that allows residents and businesses to lodge online enquiries. A far greater percentage of metro councils (87%) are using social media to engage and communicate with residents and businesses, compared to 62% of regional and 58% of rural councils.

We have previously discussed the importance councils place on developing mobile technologies over the next three years. This aligns well with the 81% of global CEOs who see mobile technologies as a strategically important tool to engage customers – more than any other digital tool.²⁸ However, our survey shows that currently only 21% of councils use text message notification to respond to general service enquiries. Yet providing this service may assist councils to more efficiently engage with the community.

Figure 3.12: How frequently are your unresolved ‘open’ general service enquiries reported to senior management?



68%
of councils use social media to engage and communicate with the community

²⁸ PwC 2015, 18th Annual Global CEO Survey, 'A marketplace without boundaries? Responding to disruption'.

The importance of a customer service charter

Tracking customer service levels

While only 4% of large-sized and 15% of medium councils are without a customer service charter, it is apparent that this is an area of focus for small councils as 56% are without a charter. Some progress has been made in small councils as there are now 38% with a charter, up from 33% in the prior year.

Councils can use their customer service charter as a way to measure and track customer service levels, and as a feedback tool for members of the customer service team.

It highlights the importance of striving to deliver high levels of service to the community, which should be a priority for any service-based organisation.

Councils should use the commitments and standards defined in their customer service charter to inform the delivery and measurement of exceptional customer service.

For councils with a customer service charter, there is a correlation between the size of the organisation and how often it measures customer service against its charter.

There are 64% of large councils measuring customer service against a charter each month, compared to 34% of medium-sized councils and 14% of small councils. However, small councils are transitioning – in the past year they have moved from no councils measuring progress on a monthly basis to 14%.

Figure 3.13: Do you have a council-approved customer service charter in place?

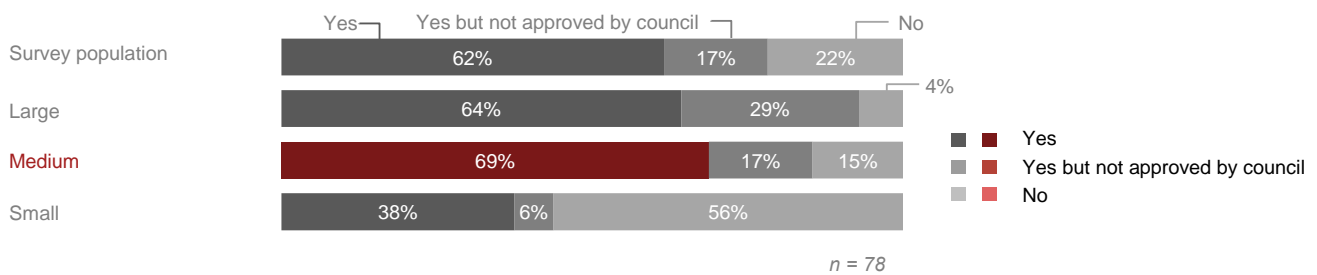
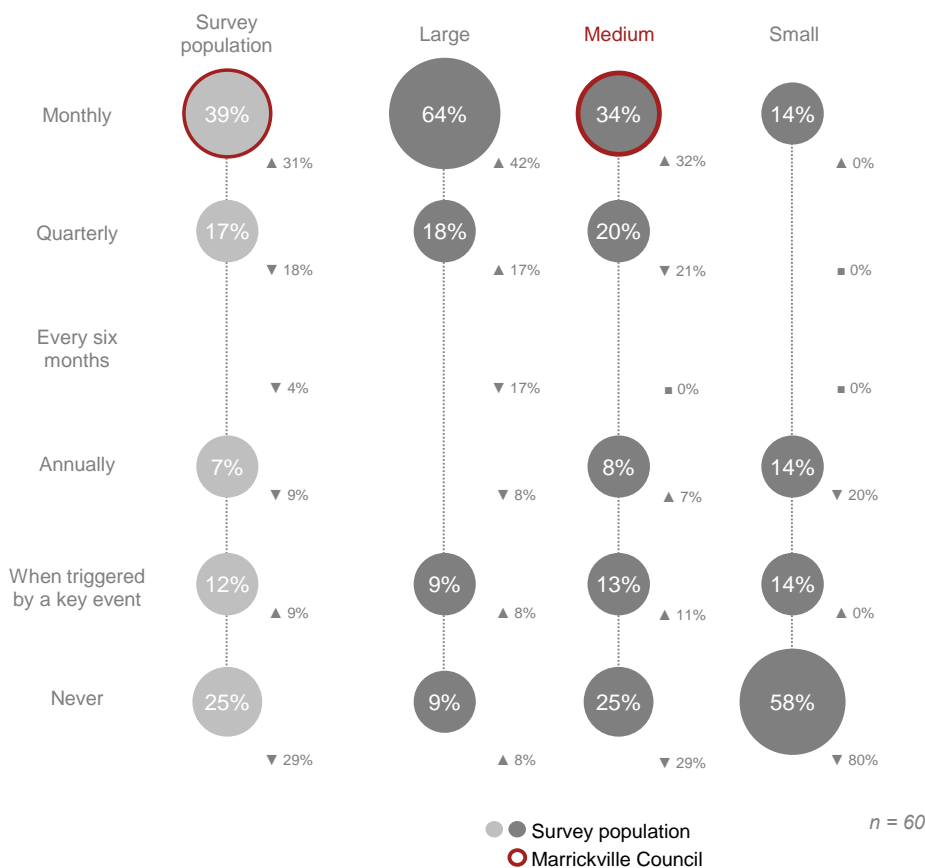


Figure 3.14: How frequently do you measure the progress of core components against the charter?



The importance of a customer service charter (continued)

Performance against customer service metrics

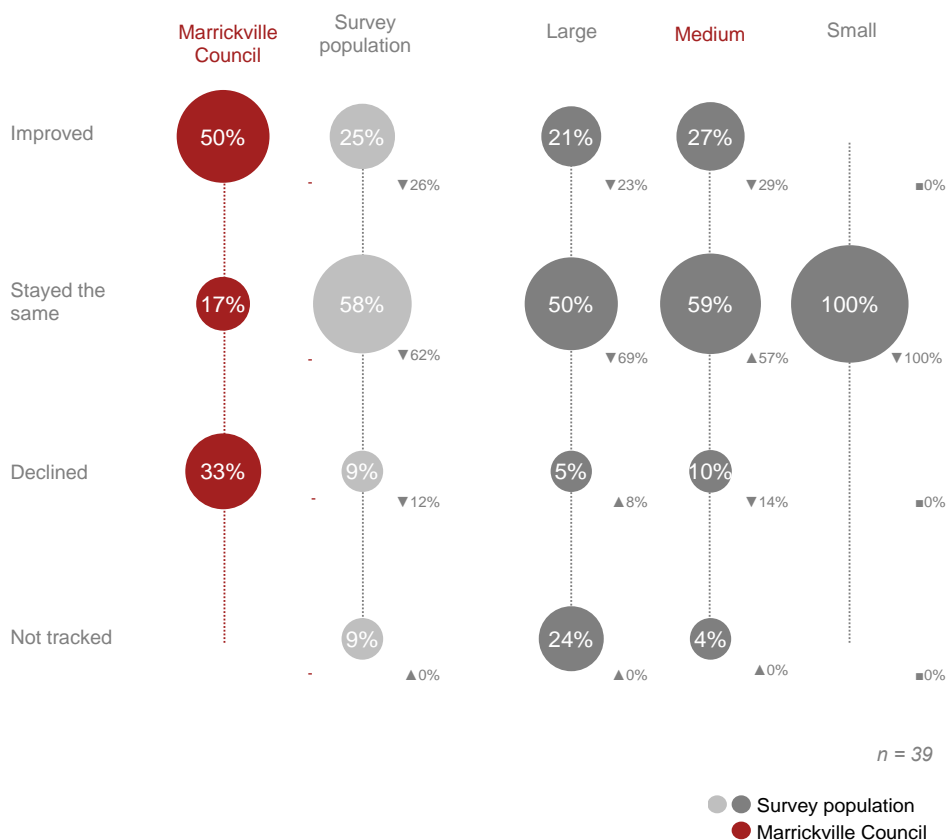
Our survey also shows that of the councils already using a customer service charter, 25% of performance metrics measured against the charter improved in the 2013–14 financial year while 58% stayed the same.

Establishing a mechanism for measuring and tracking customer service is a way councils can formally recognise and encourage the efforts of their customer service staff. Councils can also assess service levels against the charter year-on-year, adjusting them as needed, while staff get a better understanding of what is being measured.

Key considerations

- Do you regularly update your customer service charter with new requirements or areas to cover?
- Do you focus on the quality of service, as well as the quantity of services provided? Do you actively measure both?
- Have you set stretch targets to improve performance above and beyond the minimum standards set in the charter?
- Are you able to measure and monitor customer service results and use these to identify opportunities for improvement and more challenging commitments?
- Are you using your charter as a communication tool with staff, council and community? Are these groups aware of its existence?

Figure 3.15: Performance against customer service metrics in the charter during FY14



Looking at different ways to deliver corporate services

Outsourcing and shared services

Shared services and outsourcing have the potential to support councils in achieving high-quality service levels, increasing efficiencies, delivering greater value for users and generating cost savings. The potential to collaborate with nearby councils – either by sharing corporate services or outsourcing areas requiring specific expertise – should be high on the agenda for councils looking to improve productivity.

It is interesting to note that during the 2013–14 financial year, only two of the surveyed councils (2.6%) did not outsource or share corporate services in any way. The most common corporate services being shared with other councils, assigned to a third-party provider or outsourced remain unchanged from the prior year. The top three services managed in this way were legal (92%), IT hosting and support (63%), and procurement (57%).

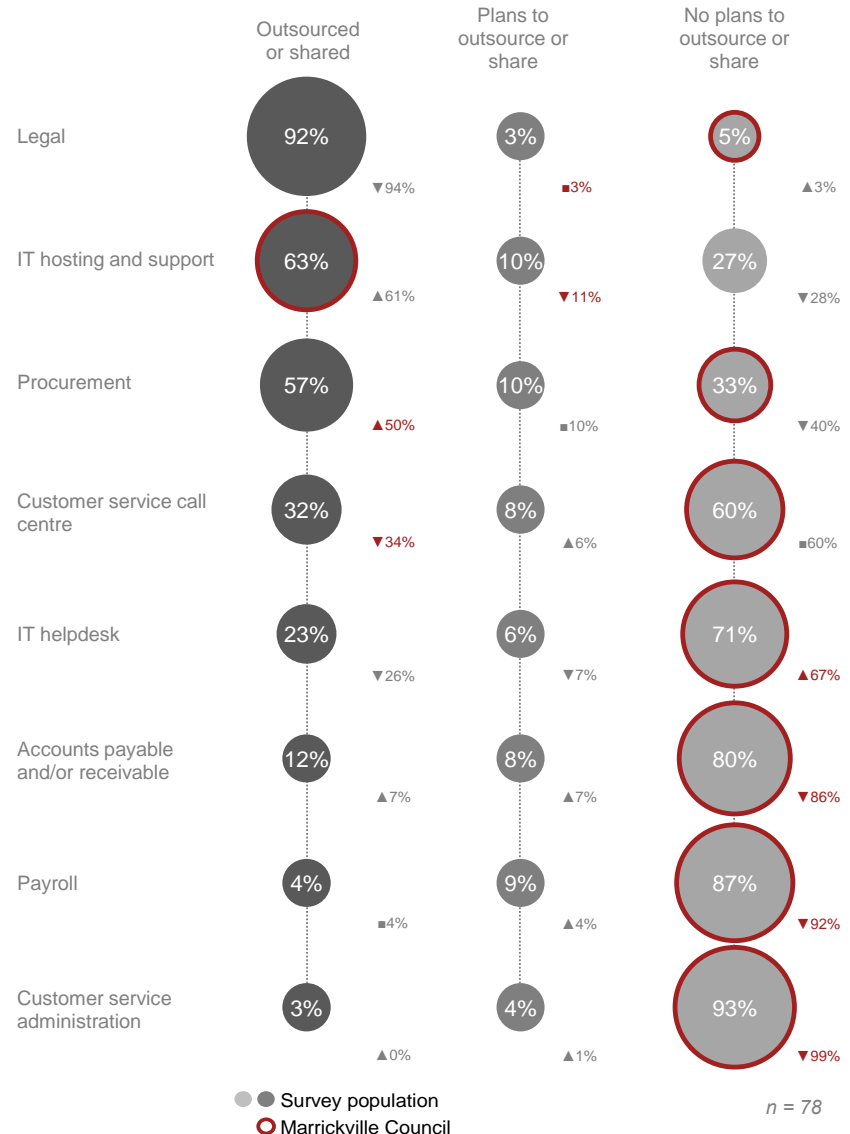
Legal services continue to be predominantly outsourced; 83% of councils choose this option, while 9% of councils share legal services. IT hosting and support is almost twice as likely to be outsourced (41%) than operated as a shared service (22%), while procurement is 1.3 times more likely to be a shared service (32%) compared to being outsourced (24%).

We continue to see limited plans for councils to further outsource or share corporate services in the next two years. Surprisingly, the outsourcing or sharing of payroll (4%) and accounts payable and receivable (12%) departments in local government is not prominent. These areas have long been considered an obvious choice for outsourcing or sharing by organisations due to their transactional nature. However, it is encouraging to see 9% of councils (up from 4% in the prior year) plan to outsource or share payroll functions in the next two years. The percentage of councils planning to alter the way accounts payable and receivable are managed remains broadly consistent with the prior year, at 8%.

Key considerations

- Have you critically evaluated your current model for delivering transaction-based services?
- Have you explored the possibility of sharing services with nearby councils?
- Are you getting the most from your resources or could you vary the way services are delivered to create time for more value-adding activities?

Figure 3.16: Current and future outsourcing or sharing of corporate service areas



Recognising the key drivers and challenges of outsourcing and shared services

Key business drivers

Shared service and outsourcing arrangements eliminate repetitive, common transaction processing from existing business units, and consolidate them into a single processing centre that is run in-house or by an external provider. If this approach is implemented in a strategic manner, councils can reduce costs significantly while improving the quality of services.

Our survey shows the potential of this strategy. Of councils that already share or outsource services, 89% cite reduced costs (up from 76% in the prior year) as the top reason they do so. Improving service delivery is the second key driver at 88%, up from 84% in the prior year. The third driver continues to be improved reliability, at 36%.

Figure 3.17: Key business drivers for outsourcing or sharing corporate services



Recognising the key drivers and challenges of outsourcing and shared services (continued)

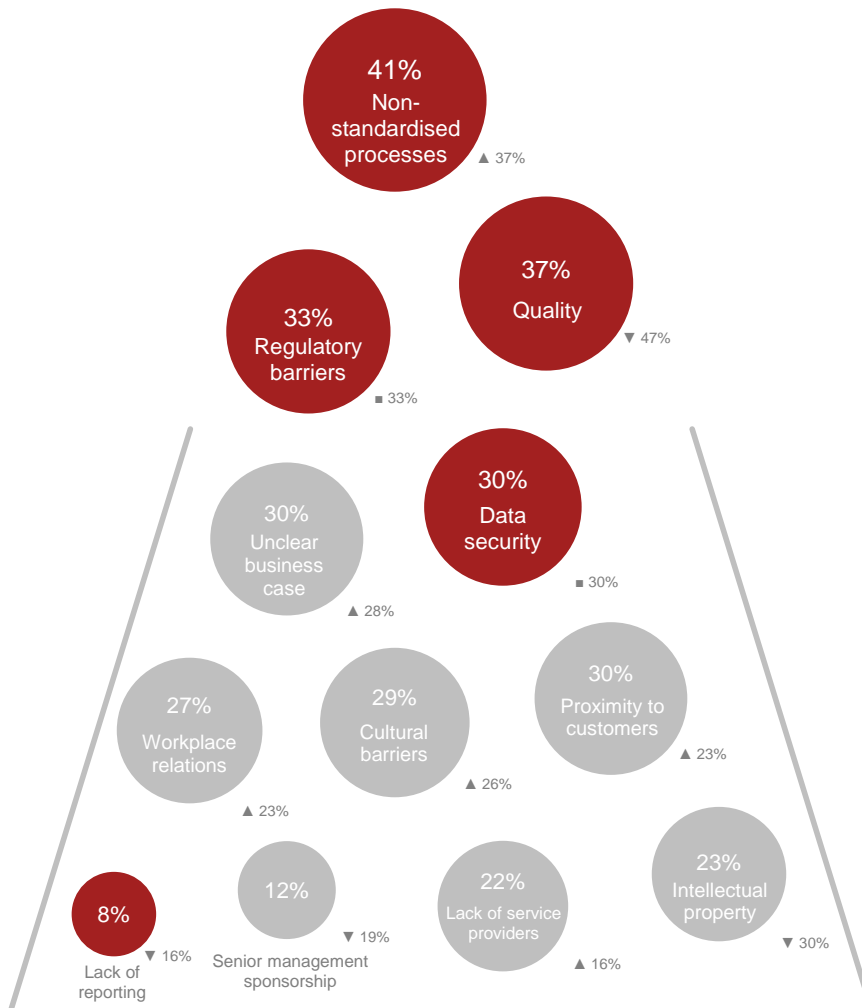
Challenges

The key objective of sharing services and outsourcing is to obtain economies of scale and centres of excellence by standardising, re-engineering and consolidating processes. This allows councils to use information more effectively and focus on their core business. However, to be successful, councils need to identify and address cultural barriers that may impede the success of these strategies. It is also crucial to establish a clear vision and formal service-level agreements between internal customers and service providers.

Councils that currently outsource or share services identify non-standardised processes (41%), quality (37%) and regulatory barriers (33%) as their top three challenges. Unsurprisingly, (typically large) metro councils are twice as likely to report non-standardised processes a key challenge (50%), compared to rural councils (25%).

In reality, having one common process across all business units is rarely seen in practice. However, organisations that maximise the potential benefits of shared services work hard to develop and maintain common processes. Working to achieve standard processes across business units is challenging, but enables councils to achieve greater efficiencies when they do share or outsource services.

Figure 3.18: Key challenges faced when outsourcing or sharing corporate services



n = 73

● Survey population
● Marrickville Council

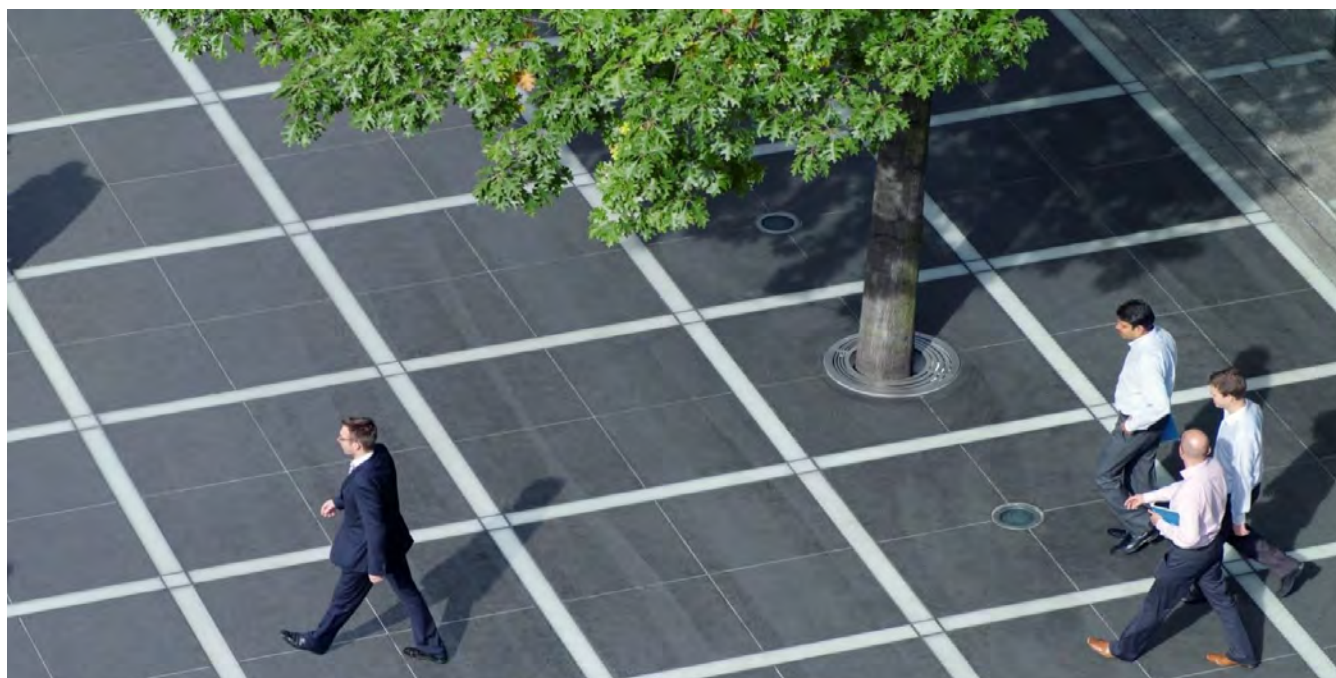
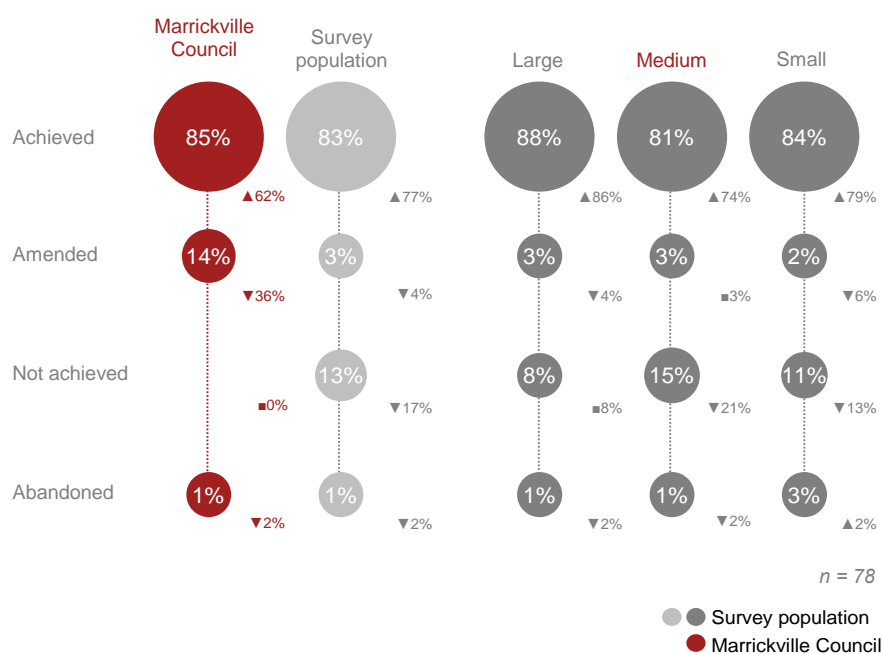
From Operational Plan to action

Operational Plan

A council's annual Operational Plan is critical to the way it integrates planning and reporting. The plan lays out the actions a council intends to undertake to **achieve its community's strategic goals, and reflects the council's progress towards achieving the goals set out in its Delivery Program.**

It is encouraging to see a rise in councils achieving the actions in their Operational Plan in the 2013–14 financial year. Currently, 83% of councils achieved all actions, compared to 77% in the prior year. This coincides with a decrease in the number of actions not achieved. Medium-sized councils showed the most improvement, where only 15% did not achieve planned actions (down from 21% the previous year).

Figure 3.19: FY14 Operational Plan status



Risk Management



Risk Management trend summary

Marrickville Council

Metric	Council	Round 1	Round 2	Change from round 1 to round 2
1. Risk management policy in place	Marrickville Council	Yes	Yes	No change
	Survey population	82% (Yes)	87% (Yes)	▲+5%
2. Frequency in formally reporting risks to council	Marrickville Council	As required	As required	No change
	Survey population	38% (As required)	41% (As required)	▲3%
3. Audit and risk committee in place	Marrickville Council	Yes	Yes	No change
	Survey population	76% (Yes)	79% (Yes)	▲+3%
4. Independent external members on Audit and Risk Committee	Marrickville Council	67%	67%	■ -
	Survey population	50%	50%	■ -
5. Number of risk-related FTEs	Marrickville Council	1.1	1.0	■ -
	Survey population	1.0	1.0	▼-0.1
6. Delivery of internal audit	Marrickville Council	Outsourced	Outsourced	No change
	Survey population	34% (Outsourced)	39% (Outsourced)	▲+5%
7. Days of internal audit effort per \$10 million in council revenue	Marrickville Council	10.9	10.8	▼-0.1
	Survey population	3.9	3.8	▼-0.1

Managing risk

Risk management policy

Progress is being made with establishing a risk management policy, with 87% of councils now having an approved policy in place (up from 82% in the prior year). While rural councils continue to evolve in this area, with 81% (up from 76%) now having an approved risk management policy and a further 15% with a policy in development, they still have a way to go, when compared to metro and regional councils.

A risk management policy should clarify the council's objectives for and commitment to risk management. It is an effective way to promote and communicate an integrated, holistic approach to enterprise risk management across the council.

Our survey reveals that management still doesn't formally report risks to council on a regular basis – more than half the councils surveyed (55% up from 52%) either report risks to council annually or as required, with a further 11% either not reporting risks at all or unable to say how often.

The frequency and forum of formal reporting of risks to council depend on the structure and effectiveness of other embedded risk reporting processes to management and the Audit and Risk Committee. While the Audit and Risk Committee is a sub-committee of the council, it is prudent for the full council to be appropriately updated and assured as to the effectiveness of risk management on a consistent and regular basis.

Figure 4.1: Does your council have an approved risk management policy?

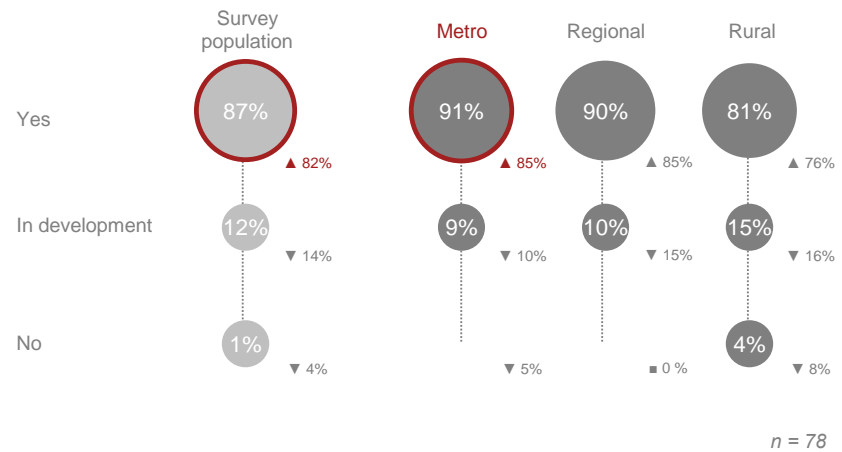
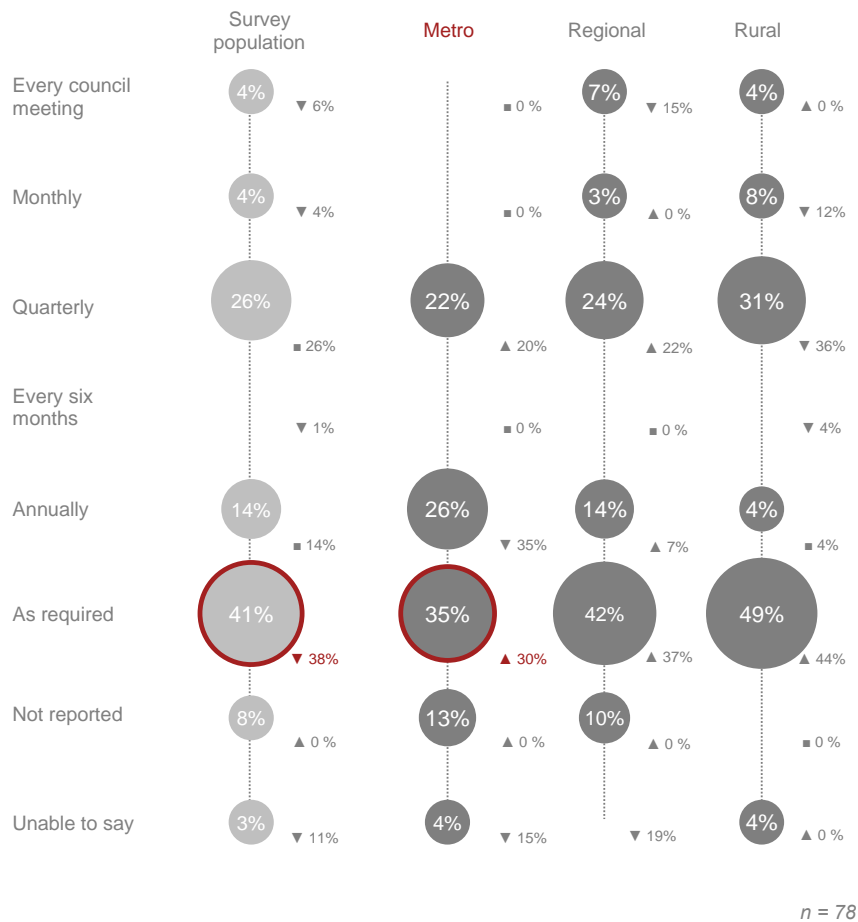


Figure 4.2: How often does management formally report risks to council?



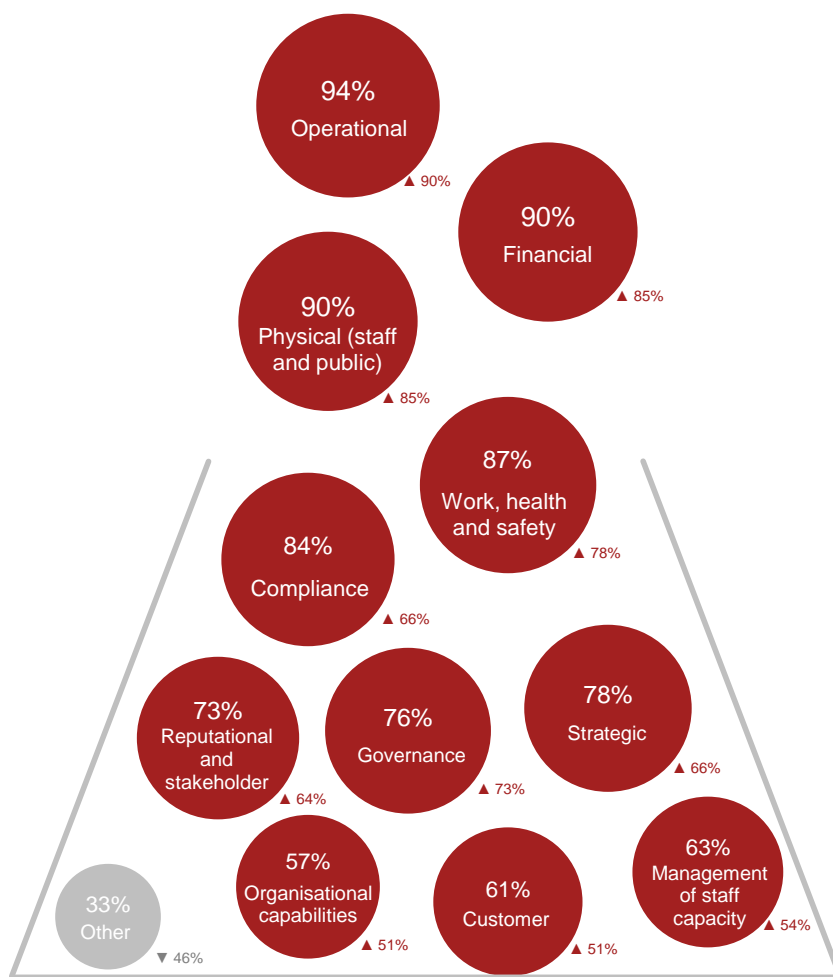
● Survey population
○ Marrickville Council

Managing risk (continued)

Risk management categories

When it comes to risk categories covered in a council's risk management policy, the top three remain consistent with the round one FY13 survey and are: operational (94%), financial and physical (both 90%) and workplace, health and safety (87%). We recommend councils incorporate a balance of risk categories reflecting both **internal risks** (risks to a council's operational processes) and external risks (risks within the local government environment).

Figure 4.3: Which categories are covered in your risk management policy?



n = 67

● Survey population
● Marrickville Council

Corporate governance

Audit and Risk Committee

The responsibilities of the Audit and Risk Committee will generally cover, but are not limited to, the review and oversight of the following areas: internal control framework, risk management activities, financial statements, and internal audit and external audit. Our survey shows that there has been a minor increase in the corporate governance arrangements of councils, with almost four in five councils (79% up from 76%) now having an Audit and Risk Committee in place.

The level of independence, skill set and background of committee members remains important. Within local government, we continue to see a reasonable balance of independence among Audit and Risk Committee members, with an overall median result of 50% being independent or external to council. This is important to strengthen the committee's actual and perceived independence. Regional councils continue to have a higher representation of independent or external members, with a median result of 60%. Those councils with no external representation on their Audit and Risk Committee are encouraged to review their composition and reconsider the need for additional independent representation. We also encourage the Audit and Risk Committees of each council to review their performance on an annual basis, if they are not already doing so.

The Audit and Risk Committee is an integral component of an organisation's corporate governance arrangements. Its responsibilities will generally cover, but are not limited to, the review and oversight of the following areas: internal control framework, risk management activities, financial statements, internal audit and external audit. The Audit and Risk Committee can also oversee and hold management accountable for its performance in managing these important areas.

Figure 4.4: Does your council have an Audit and Risk Committee (or equivalent)?

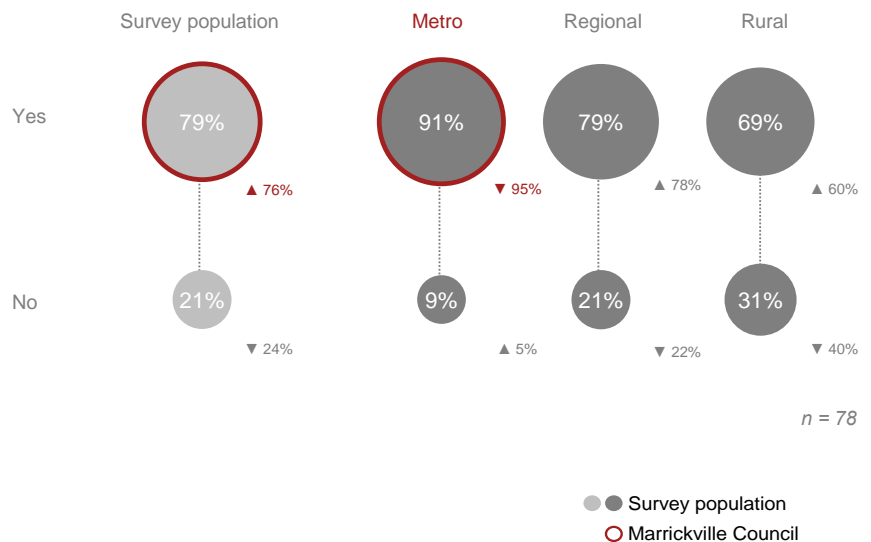
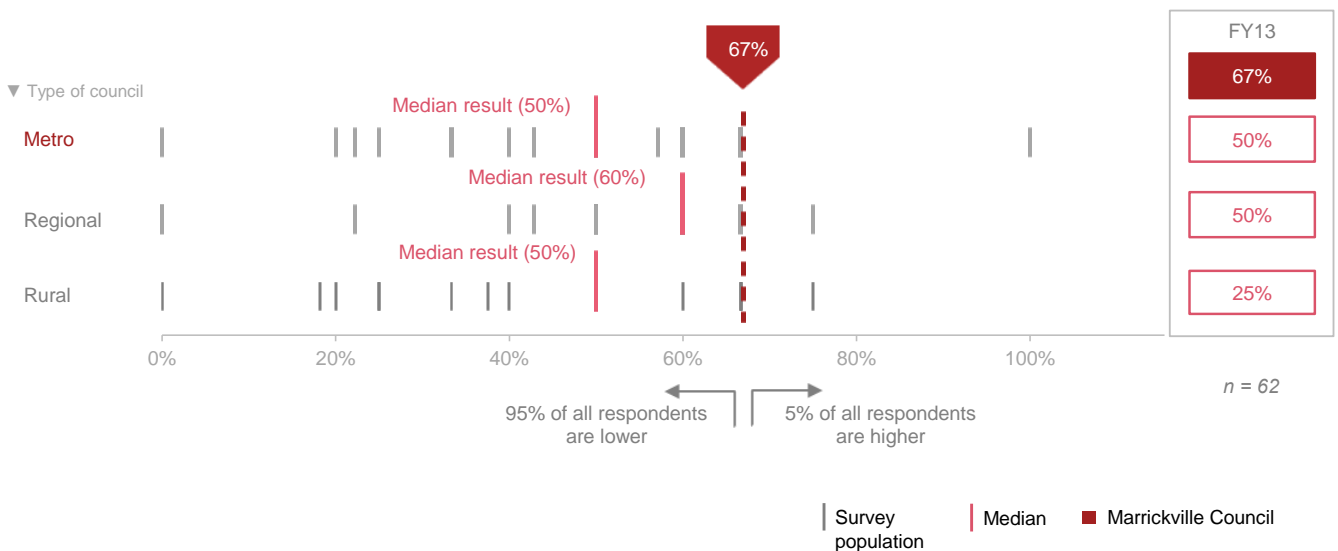


Figure 4.5: Percentage of independent external members of the Audit and Risk Committee

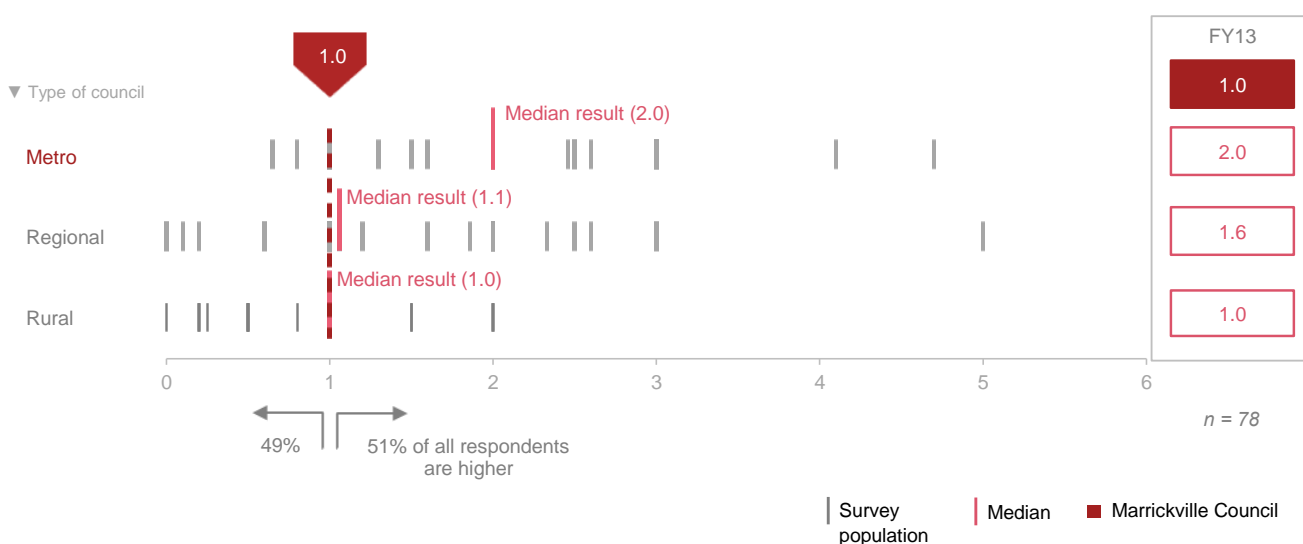


Corporate governance (continued)

Risk management resources

Councils vary when it comes to the level of investment in risk management resources. The number of risk-related full-time equivalents (FTEs) continues to range from a median of 1.0 FTE in rural councils to 2.0 FTEs in metro councils. The important factor for councils to consider is that at some level there is clear ownership and accountability for risk management. Some councils may choose to have staff with risk management as a component of their role, while others will have dedicated risk management staff.

Figure 4.6: Number of risk-related full-time equivalents (FTEs)



Delivery of internal audit

Internal audit delivery and effort

There has been a recent shift in local government in the way councils elect to deliver the internal audit function. Councils are now almost twice as likely to outsource the delivery of internal audit, compared to a co-delivered approach. This indicates that councils are seeing the benefit of bringing in specialists to perform this important governance function. Overall 19% of councils (up from 18% in the prior year) did not perform an internal audit during the 2013–14 financial year. This is especially evident in rural councils where 42% did not carry out an internal audit. We recommend these councils seriously consider how internal audit strengthens the governance framework and provides a third line of defence.

Our survey continues to indicate that outsourced internal audits take the least amount of effort, with a median of 3.6 days per \$10 million in council revenue. At the other end of the spectrum, internally delivered audits have a median of 9.5 days per \$10 million in council revenue. Outsourced internal audits may reflect either lower levels of investment, higher efficiency of work programs, or a combination of both, in comparison to internally delivered audits. Each council should consider the positives and negatives of all options to determine the best fit.

Figure 4.7: How is internal audit delivered?

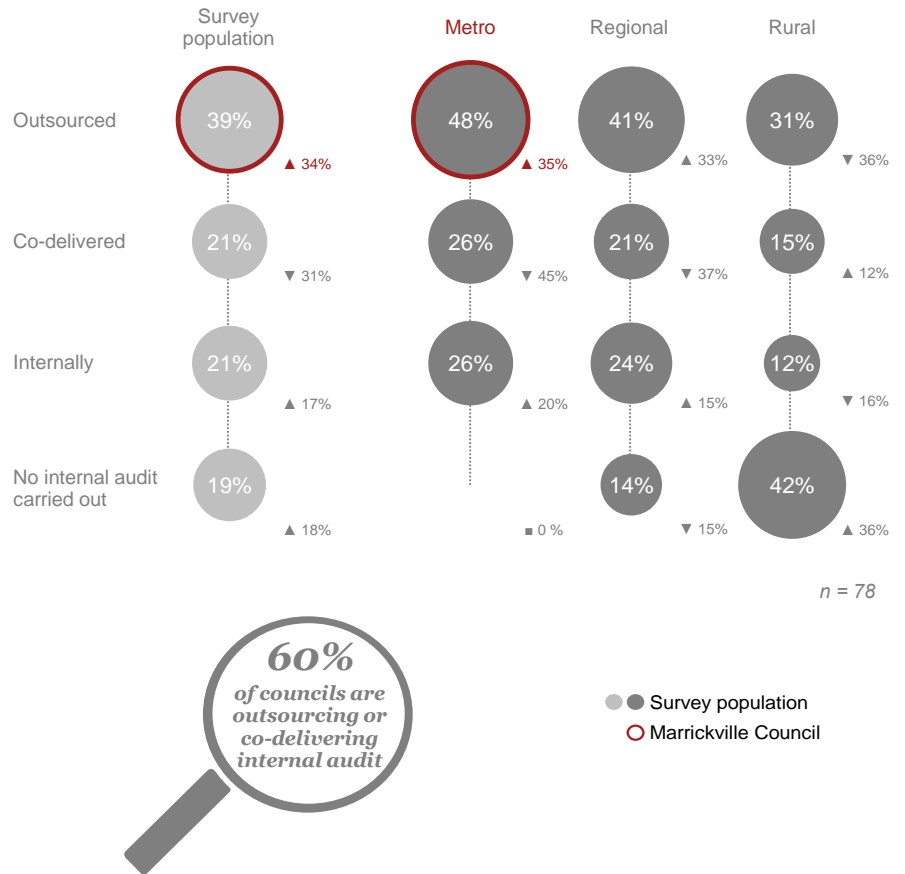
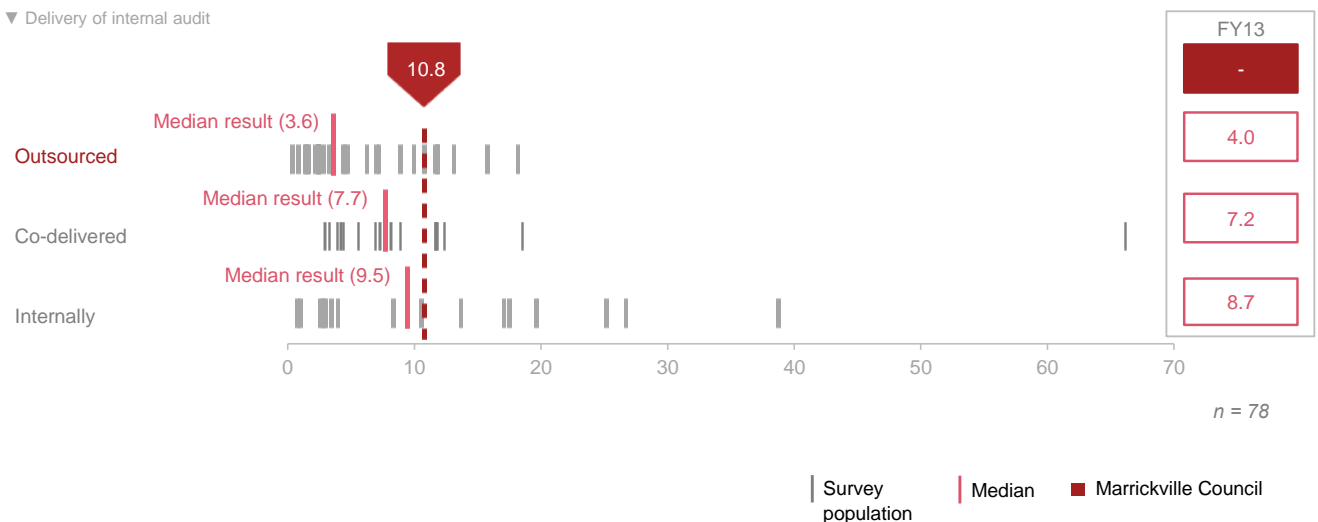


Figure 4.8: Days of internal audit effort per \$10 million in council revenue



Delivery of internal audit (continued)

Internal audit effectiveness

To assess the effectiveness of internal audit we asked councils to rate how well internal audit performs in a number of different areas. The best performing area is now 'aligning the scope of the audit plan with stakeholder expectations' (72% up from 64%). 'Focusing on critical risks and issues' (68% up from 65%) continues to be the next best performing area.

The key area of focus for local government remains 'leveraging technology effectively', as only 45% of internal audit functions performed well in this area (up from 43%). This result is relatively consistent with PwC's recent global internal audit study²⁸, where only 40% of global internal audit functions performed well in this area.

However, when it comes to 'delivering services with a service-oriented team' there continues to be a large disparity, with only 49% of councils saying they perform well, compared to the global result of 74%. This indicates an opportunity for internal audit teams to broaden their range of non-technical skills in areas such as relationship building, teamwork, partnering and communications.

In Figure 4.10, it is clear that councils with an Audit and Risk Committee perform better in more areas of the internal audit – 66% of councils with a committee in place performed well in six to eight areas of the internal audit, and 81% of councils without a committee in place performed well in zero to two areas of the internal audit.

Figure 4.9: Does your internal audit function perform well* in the following areas?

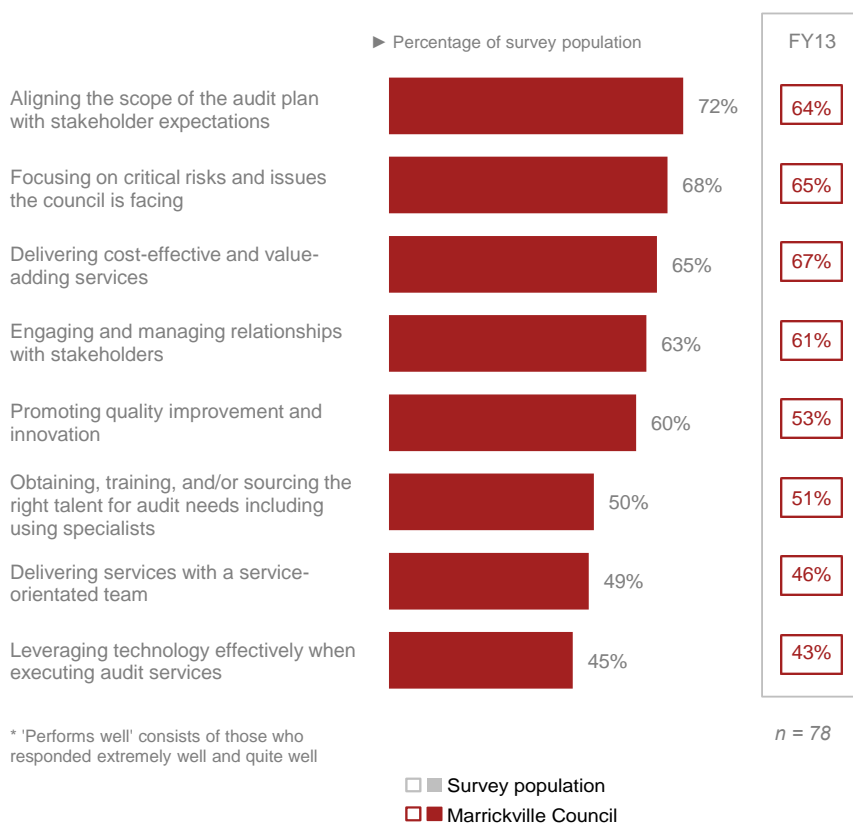
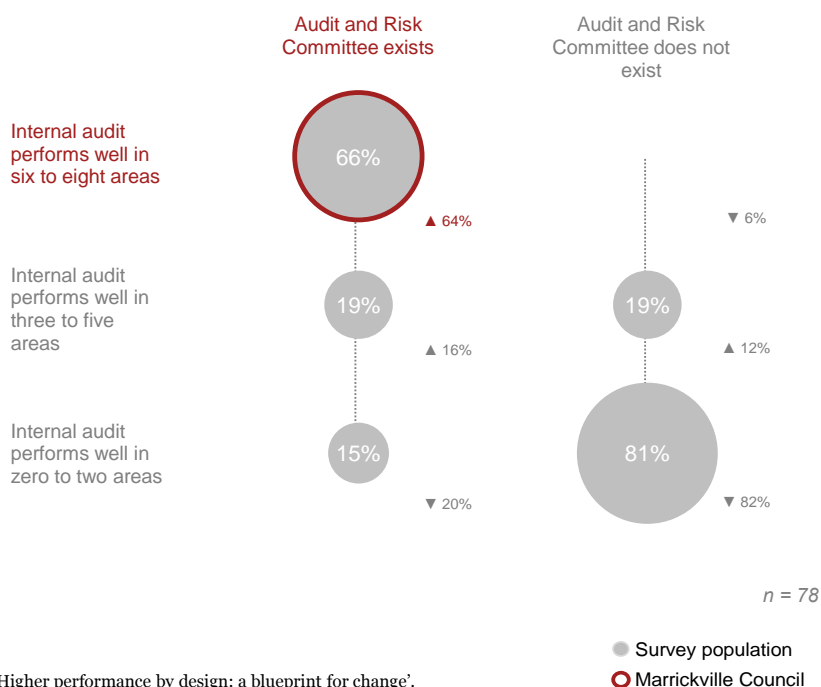


Figure 4.10: Correlation between having an Audit and Risk Committee and internal audit performance



²⁸ PwC, 2014, State of the Internal Audit Profession Study, 'Higher performance by design: a blueprint for change'.

A new focus on supplier risk management

Supplier performance and relationships

In our survey we explore key supplier performance and relationships, along with how councils measure performance of this group. Local government have increased the ratings in both the performance and relationship with their key suppliers over the past year, with 83% of councils (up from 75%) falling into the top right-hand quadrant, thereby rating both of these factors as 'good or excellent'. **Important** influencing factors in building strong relationships with key suppliers include having clearly defined roles and establishing open communication lines regarding required controls and operating principles.

While we are seeing a reduction in the percentage of councils that are not measuring the performance of key suppliers, in Figure 4.12 (8% down from 11%), the remaining councils are increasing their use of contract management (69%) and regular meetings (65%) to better understand supplier performance. A key point of difference for rural councils is the heavy reliance upon cost as a measure of supplier performance which is 73%, compared to only 52% in regional and 61% in metro councils.

Also metro councils are far more likely to use regular meetings as a measure of supplier performance (87%), compared to regional (59%) and rural (54%) councils. This indicates the high level of importance given to regular forms of communication with key suppliers in avoiding potential supply chain risks.

Overall there is an opportunity for improved supplier management through the use of key performance indicators (KPIs). Currently, 26% of councils use KPIs, increasing marginally from 25% in the prior year. By comparison, the PwC supplier risk management study, which surveyed 68 organisations, found that 71% of surveyed organisations use KPIs to measure the performance of suppliers. The use of KPIs creates clear service level expectations, increasing the visibility and accountability among key suppliers.

Key considerations:

- Are you getting the most from your key suppliers?
- How can you improve interactions with your key suppliers to avoid supply chain risks?

Figure 4.11: Performance and relationship with key suppliers

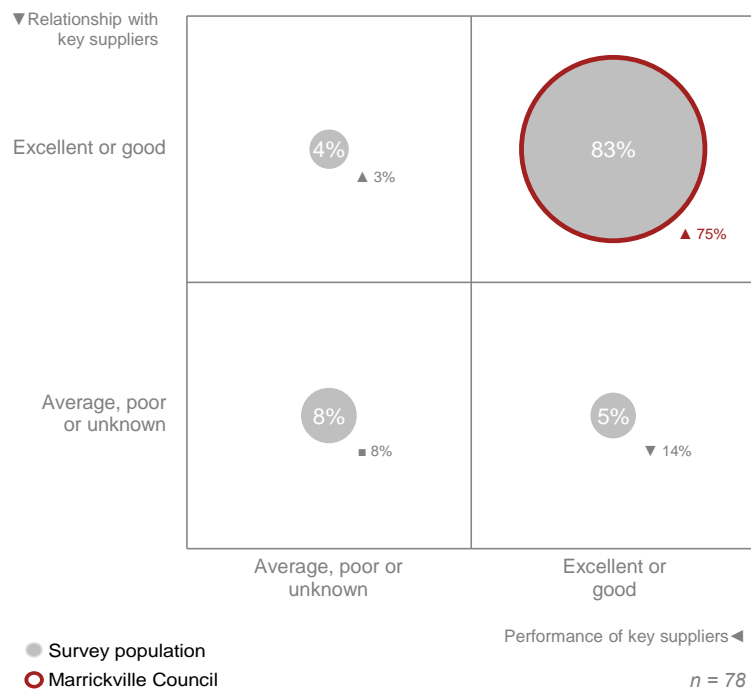
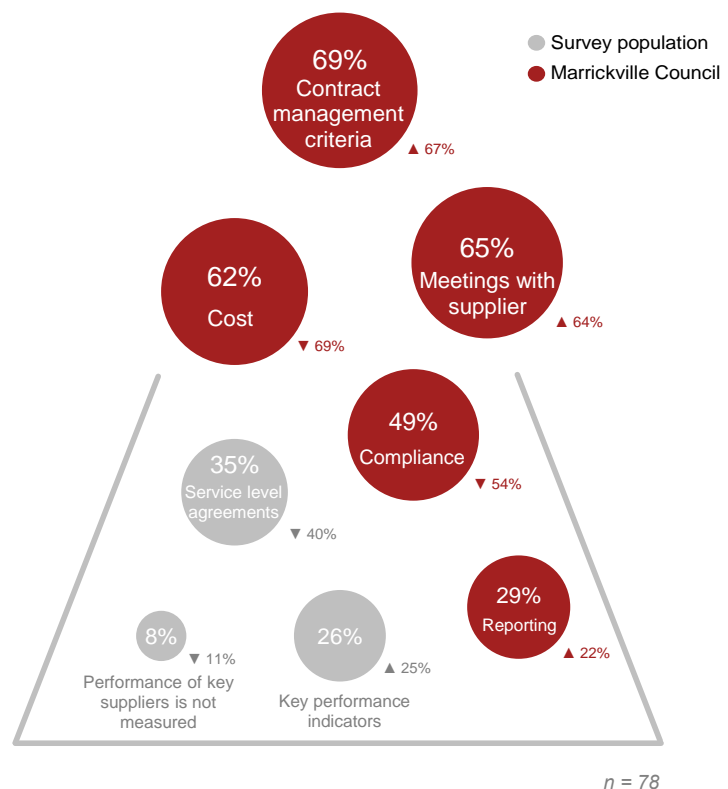


Figure 4.12: How does your council measure the performance of its key suppliers?



29 PwC Australia, 2013, Supplier Risk Management Study, 'Time to take control'.

Corporate Leadership



Corporate Leadership trend summary

Marrickville Council

Metric	Council	Round 1	Round 2	Change from round 1 to round 2
1. Frequency of review of delegations register	Marrickville Council	Annually	Annually	No change
	Survey population	40% (Annually)	44% (Annually)	▲+4%
2. Council decisions audited for compliance to delegations register	Marrickville Council	Yes	Yes	No change
	Survey population	44% (Yes)	49% (Yes)	▲+5%
3. Average council meeting duration	Marrickville Council	211	146	▼-81
	Survey population	145	130	▲+1
4. Average council resolutions passed	Marrickville Council	27	25	▲+3
	Survey population	20	23	▼-2
5. Improved staff engagement	Marrickville Council	No, stayed the same	Yes, improved	Changed to yes, improved
	Survey population	37% (No, stayed the same)	39% (Yes, improved)	
6. Frequency of review of community engagement strategy	Marrickville Council	Annually	Annually	No change
	Survey population	29% (Annually)	36% (Annually)	▲+7%
7. Corporate KPIs in place	Marrickville Council	Yes	Yes	No change
	Survey population	68% (Yes)	73% (Yes)	▼-5%
8. Percentage of corporate KPIs on track	Marrickville Council	73%	85%	▲+23%
	Survey population	62%	70%	▼-3%

Ensuring efficient and consistent decision making

Delegations register

Our survey shows an increase from 40% to 44% in the number of councils reviewing the delegations register on an annual basis. This indicates a more diligent approach to governance and aids efficient decision making. It is important that delegations are reviewed annually to ensure they align with the capabilities, qualifications and needs of the positions to which they apply.

It is also essential to monitor compliance with the delegations register to protect against misuse of delegated authority. Although the proportion of councils that audit their decisions for compliance has increased from 44% to 49%, just over half are still not performing this important step as part of their risk framework. This is particularly prevalent in regional (59%) and rural (65%) councils, indicating the need for change to guarantee compliance with operating procedures.

Figure 5.1: How frequently does your council review its delegations register?

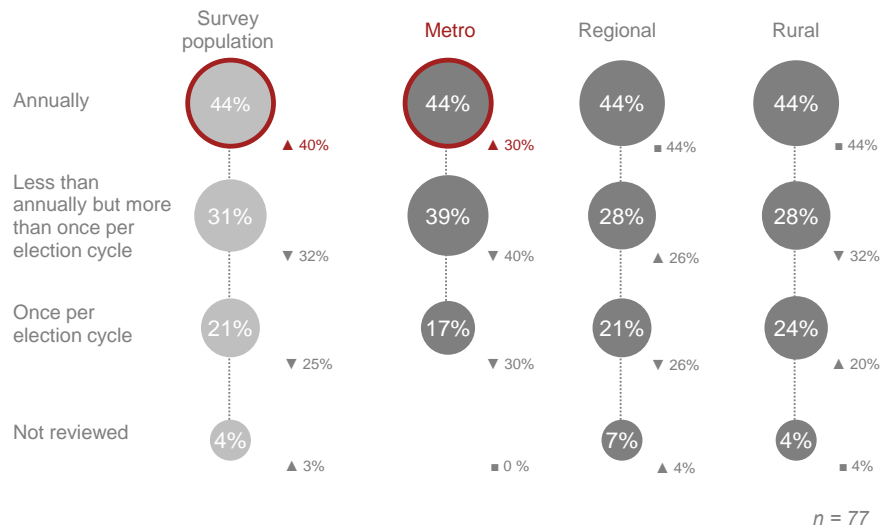
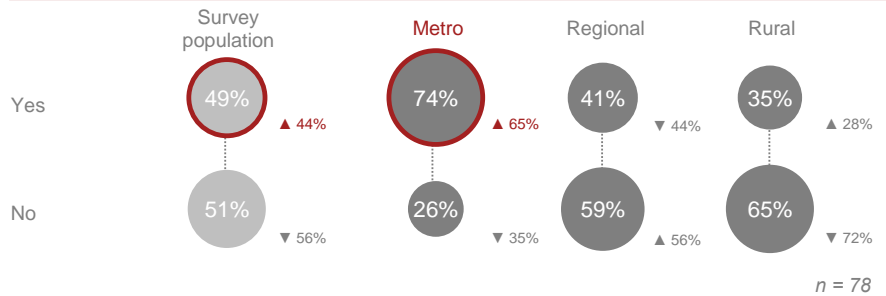


Figure 5.2: Are your council's decisions audited for their compliance with the delegations register?



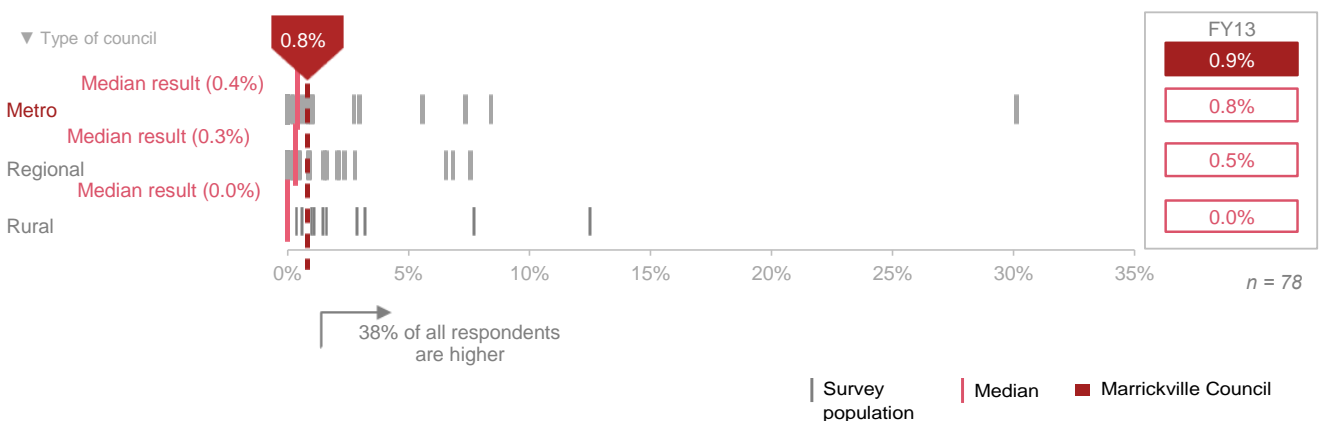
Development applications

Because residents and businesses sometimes deal directly with the council for the first time when they need a development application (DA) processed, an efficient and uniform approach is vital. Clear delegation of authority can aid the efficient and consistent handling of DAs.

Evidence shows that councils continue to use the delegation of authority to action DAs in an adept manner. Metro councils only had a median of 0.4% of DAs that were entitled to be dealt with under delegated authority but instead were considered at a council meeting (down from 0.8% in the prior year),

and regional councils moved from a median of 0.5% to 0.3%. Rural councils have remained unchanged from the prior year, with all DAs being actioned using the delegations register.

Figure 5.3: Percentage of DAs that went to council (when they could have been actioned by management under the delegations register)



Approach to decision making

Council decision making

The capacity of councillors to make informed decisions about policy settings, as well as a council's strategy and vision, partly rely on succinct and timely information. It is important that councillors have a broad picture available when forming a point of view .

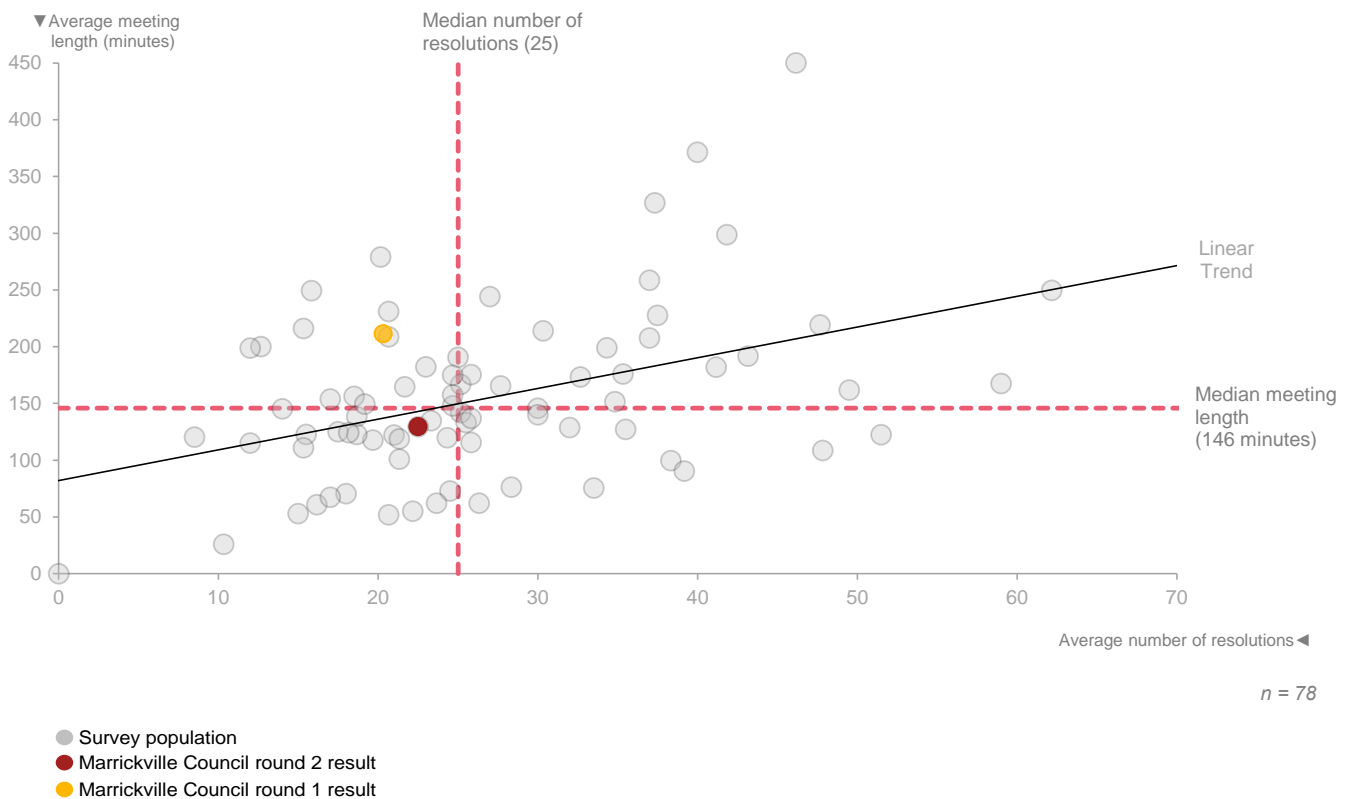
To better understand the efficiency of council meetings, we gathered data on each council's last six meetings in the second half of the 2013–14 financial year. When examining the correlation between meeting duration and resolutions passed, our survey results remained broadly consistent with the prior year, showing that the median council meeting duration (146 minutes) produced around 25 resolutions.

We found that large- and medium-sized councils tend to have slightly shorter meetings than small councils, which spend a median of 175 minutes (almost three hours) producing around 23 resolutions, compared to large councils, which spend a median of 146 minutes (around 2.5 hours) producing around 27 resolutions.

Key considerations

- Do your council meetings regularly extend beyond three hours?
- Are your council meetings passing resolutions in an efficient manner?
- Are meeting papers excessively long and complex, making a proper review onerous for councillors?
- Do you provide councillors with meeting papers one week in advance to enable sufficient review prior to the meeting?
- Do you review the effectiveness of your council meetings?

Figure 5.4: Relationship between council meeting duration and resolutions passed in the second half of FY14



Analysing council meetings and resolutions

Council meeting duration and number of resolutions

In the framework below, we have converted our survey data into a matrix to show possible reasons why council meetings may differ in duration and produce a different number of resolutions. This allows councils to explore the correlation between meeting length and the number of resolutions passed at their council meetings in the second half of the 2013–14 financial year.

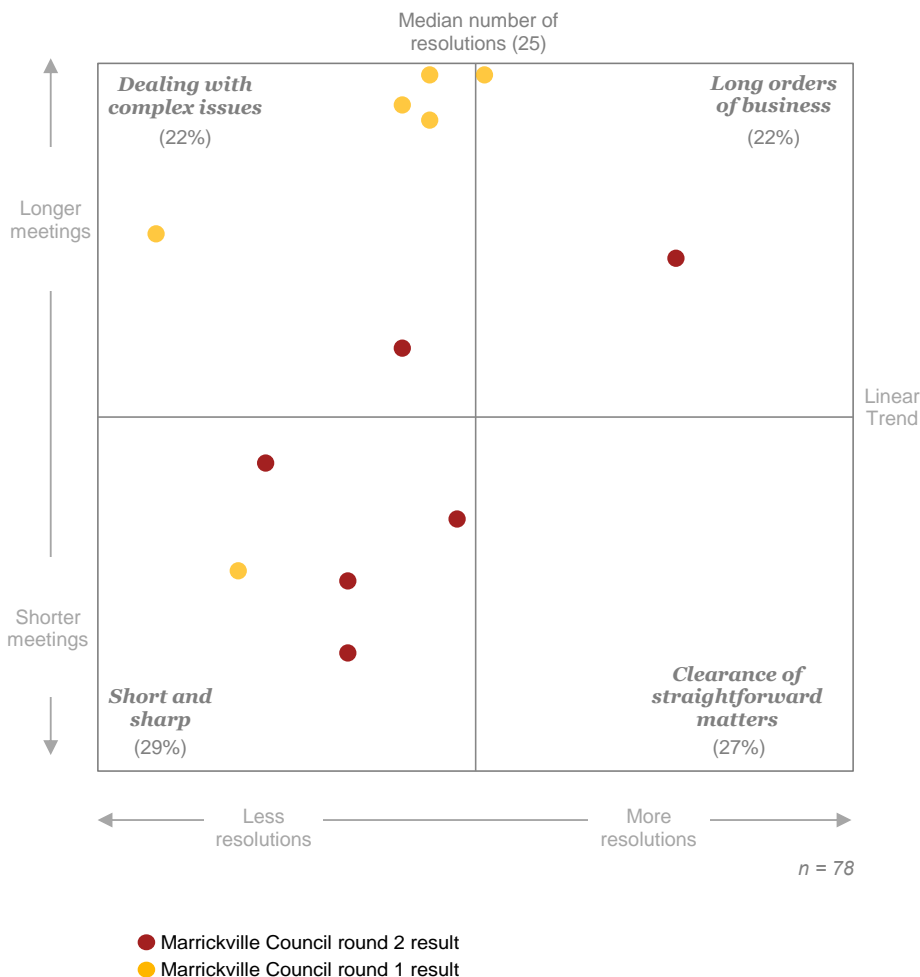
Our results show that overall a greater percentage of councils (27% up from 23% in the prior year) were in the quadrant ‘clearance of straightforward matters’, indicating that a greater proportion of council meetings focused on efficient decision making in the second half of the 2013–14 financial year, compared to the same period in the prior year.

When reviewing your profile in the chart below, consider that there may be a sound basis – such as the nature of business to be discussed – for whichever quadrant your meetings fell into. In fact, it might **enhance a council’s productivity if a range** of the identified meeting types exists across the year. Each council should assess its results against the complexity and associated risk profile of the issues discussed in council meetings from January to June 2014.

Key considerations:

- Did the complexity of issues match the time taken to resolve them?
- Could more meetings have been short and sharp?

Figure 5.5: Relationship between council meeting duration and resolutions passed in the second half of FY14



Maintaining high levels of staff engagement

Staff engagement

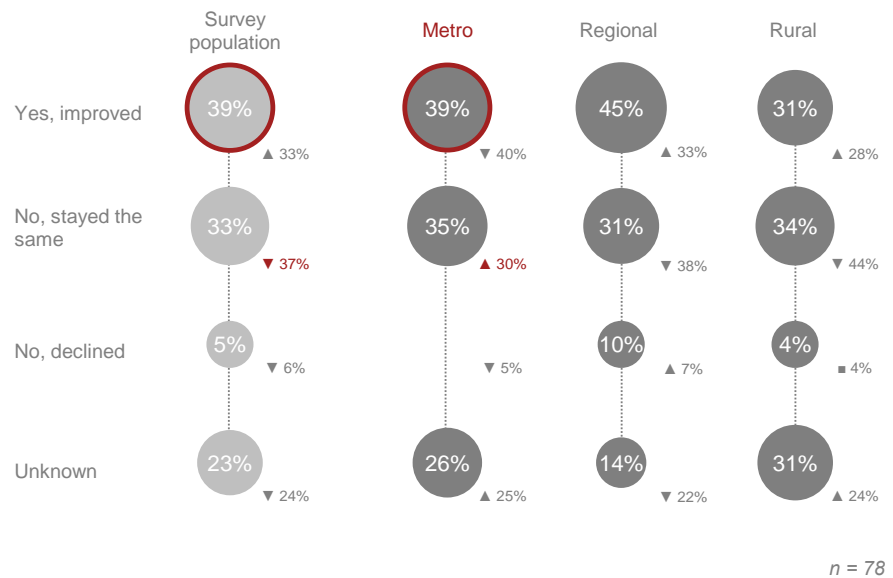
Organisations that regularly assess the ‘pulse’ of employees are able to gain insights into staff engagement. This allows them to identify trends and areas within the organisation that are more engaging.

Our survey shows that the proportion of councils that have seen staff engagement improve in the 2013–14 financial year increased from 33% to 39% – driven by regional councils rising to 45% (from 33%) and rural councils reaching 31% (up from 28%).

However, close to a quarter of councils (23%) still lack vital information on staff engagement due to the absence of a measurement framework. This is important given that local governments face the challenges of an ageing workforce and the difficulties of attracting and retaining Gen Y employees in the midst of an unsettling reform program. Gen Y staff tend to have different career priorities than older employees, including a desire for flexible hours, frequent feedback on their work, and a dislike of traditional corporate structures. However, engagement strategies can help younger employees apply their range of abilities and passions, and strengthen their connection to the organisation as a whole.³⁰

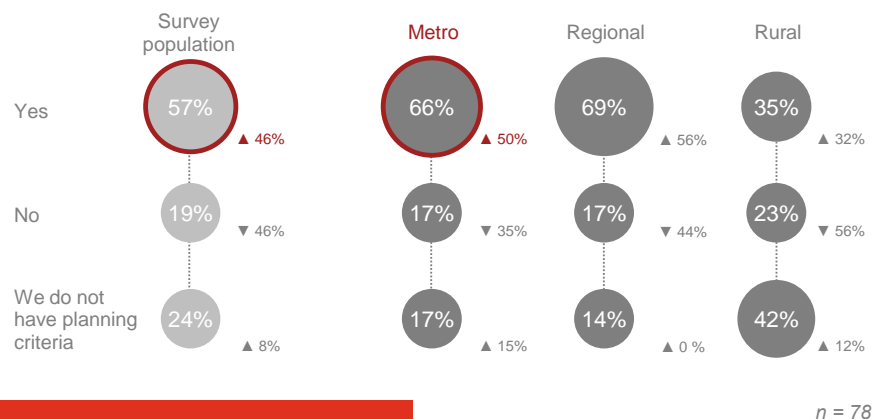
In terms of business planning, more than half of the councils (57%) now have planning criteria in place to help employees develop their business plans, compared to 46% in the prior year. The evidence also shows that for councils with improved staff engagement levels, 60% provide planning criteria to employees to help them better develop their business plans.

Figure 5.6: Did your staff engagement levels improve during the year ending 30 June 2014?



Engagement, as opposed to satisfaction, translates directly into discretionary effort—the willingness to do more than just meet job requirements and customer needs. Employee engagement is the extent to which employees are motivated to contribute to the success of the organisation, and are willing to apply discretionary effort to accomplish tasks important to the achievement of stated business goals.³¹

Figure 5.7: As part of the business planning process, do your staff have planning criteria in place that assist them in developing their plans?



Key considerations

- Where is your council right now in terms of engaging staff?
- Have you analysed your staff engagement profile?
- Have you identified any clusters of employees who are less engaged and taken action to change this?
- How are you communicating your goals, progress and performance? What is the best way to communicate with staff – social media, dashboards, infographics?

● Survey population
○ Marrickville Council

³⁰ PwC, February 2014, 'The keys to corporate responsibility employee engagement'.

³¹ Ibid

Consulting with the community

Community engagement strategy

Over the past year we have seen a significant rise from 80% to 91% in the number of councils with an approved community engagement strategy. A further 4% of councils have one in development. Given this is a requirement of the Integrated Planning and Reporting legislation, we hope that in our next survey all councils will have a documented and approved community engagement strategy.

We are seeing an improvement in the frequency of reviews of the community engagement strategy. Overall, 36% of councils review annually (up from 29%) and 30% review every two years (up from 26%). Metro and regional councils are more likely to review the strategy regularly, with only 10% and 19% respectively reviewing every four years, compared to 39% of rural councils.

Figure 5.8: Do you have a documented and approved community engagement strategy?

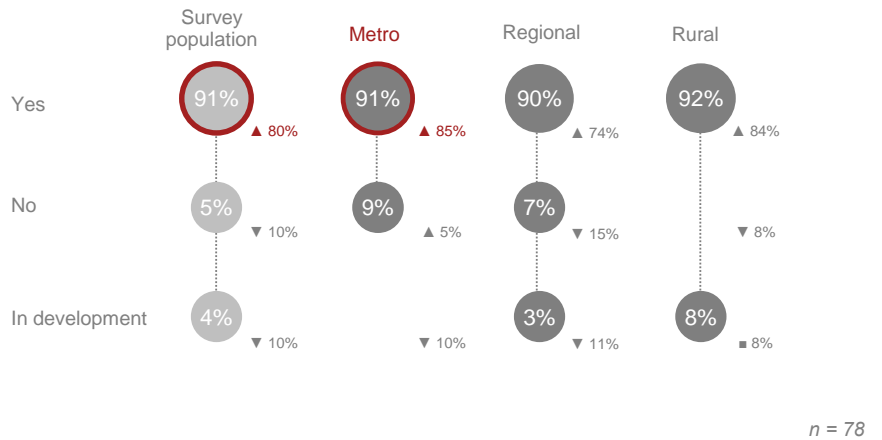
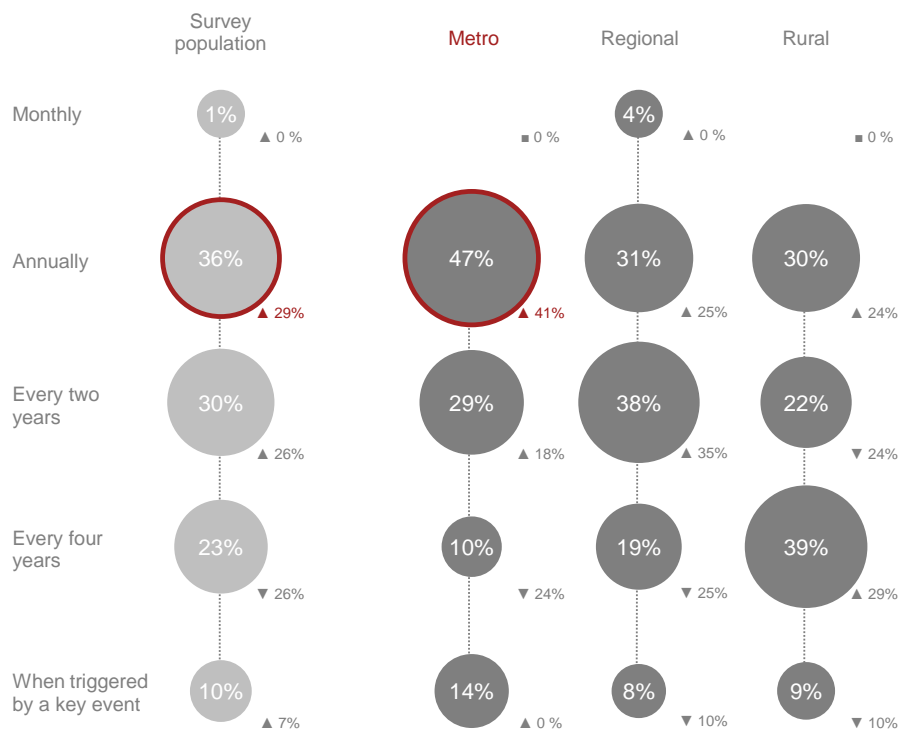


Figure 5.9: How frequently do you review your community engagement strategy?



Note: Round 1 results not displayed for 'quarterly', 'every six months' and 'on request' as these were not selected by councils in round 2.

n = 70

● Survey population
○ Marrickville Council

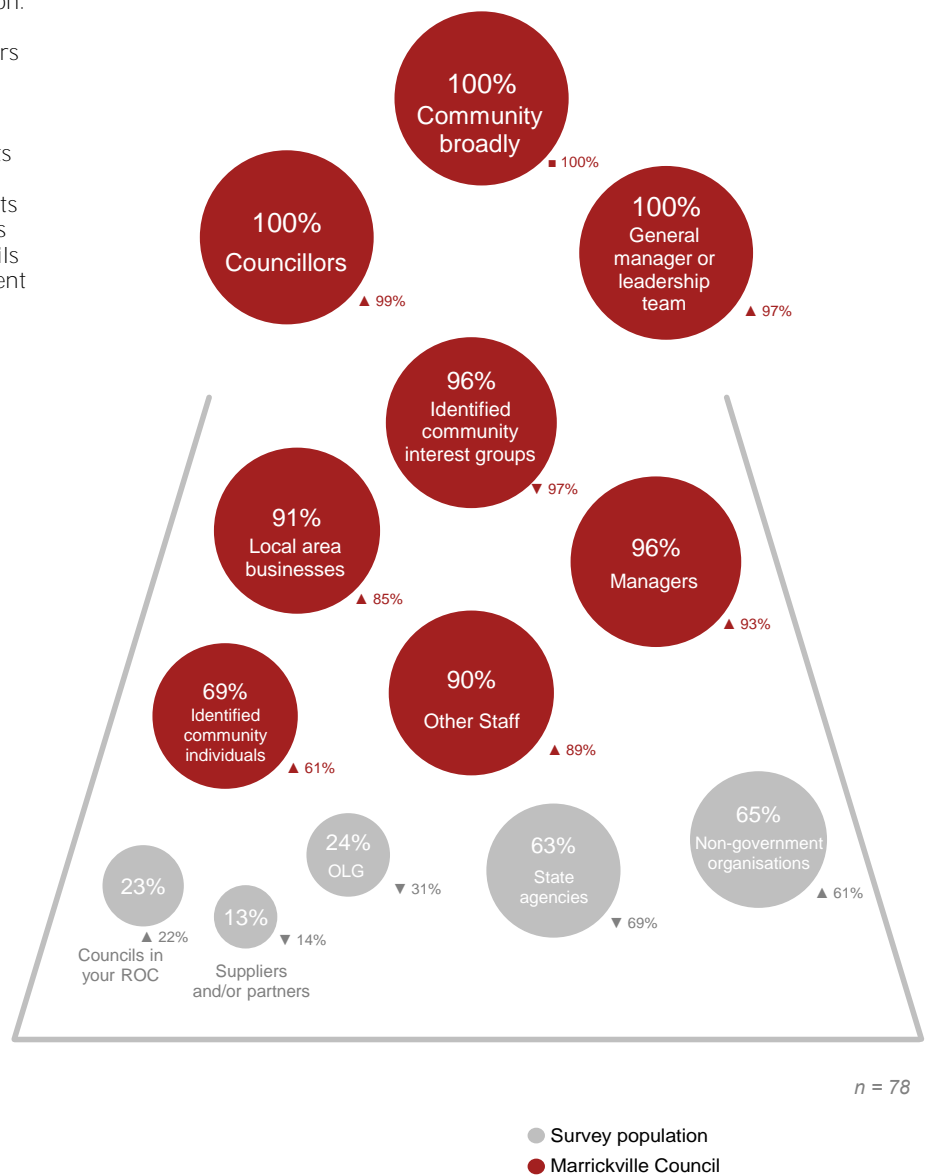
Consulting with the community (continued)

Community engagement

Developing a community strategic plan involves consultation with a broad range of stakeholders. Currently, all councils are consulting councillors, the general manager or leadership team and the community broadly on strategy formation. The vast majority also consult identified community interest groups and managers within the council.

We are yet to see councils consult more widely to obtain a richer variety of inputs and issues to consider. Examples of stakeholders that can provide such inputs include suppliers, neighbouring councils in your Regional Organisation of Councils (ROC) and the Office of Local Government (OLG).

Figure 5.10: Which of the following groups were consulted when developing the most recent council community strategic plan?



Understanding council performance

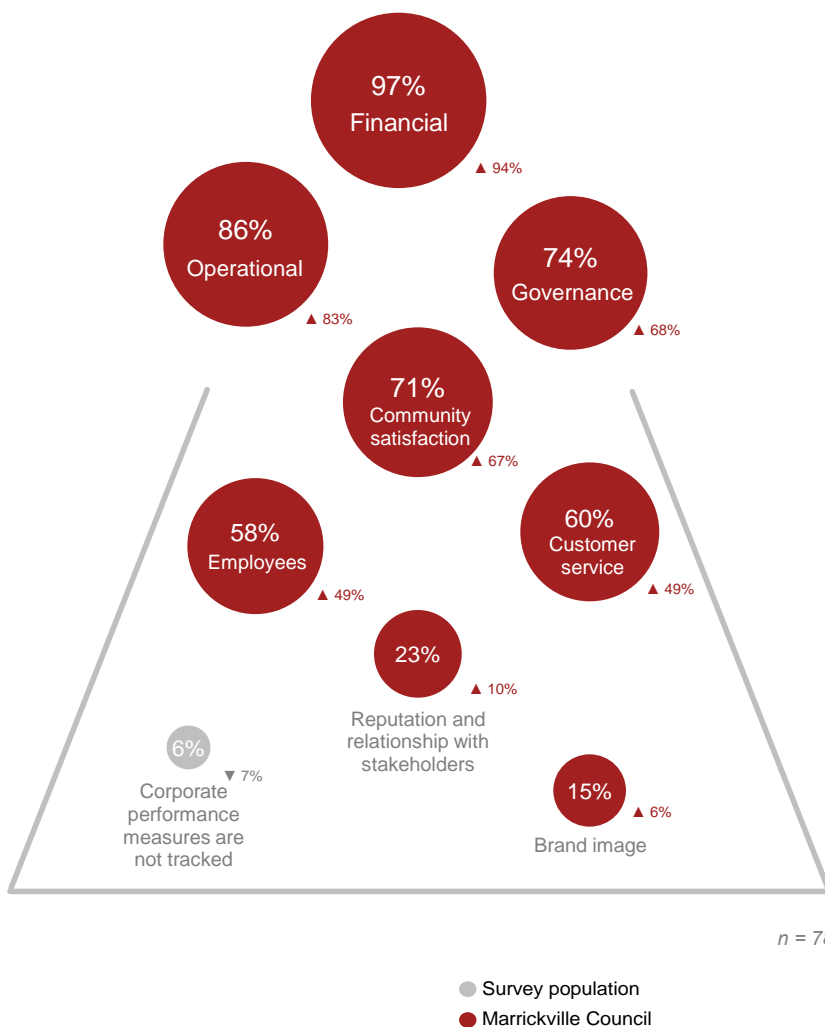
Corporate performance measures

Senior management in local government relies on good quality information to enable measurement of performance against financial and operational plans. Formally tracking a variety of corporate performance measures and reporting the outcomes to council facilitates a culture of continuous improvement. It also enables councils to recognise and reward managers and employees for activities that help the council to achieve its strategic goals.

Our survey reveals that the top three corporate performance measures being tracked and formally reported to council continue to be financial (97%), operational (86%) and governance (74%). Encouragingly, there has been a significant increase in the percentage of councils that focus on measuring customer service (up from 49% to 60%) and employee performance (up from 49% to 58%) in the past year.

It is important to note that the percentage of councils focusing on measuring reputation and relationships with stakeholders (23%) and brand image (15%) has also more than doubled in the past year, indicating a shift in the importance of these measures.

Figure 5.11: Which corporate performance measures are formally tracked and reported to council?



Key considerations:

- Have you created a culture that focuses on measuring improvement in priority areas?
- Have you aligned your corporate measures to your strategy?
- Do you focus on measuring and managing your reputation and interaction with the community, as well as your brand?

Understanding council performance (continued)

Key performance indicators

A key performance indicator (KPI) is an identified business metric an organisation uses to evaluate factors that are crucial to its success. Setting the right KPIs ensures individual performance is aligned to the critical priorities of the organisation. The setting of KPIs informs staff of **management's expectations for what will be achieved during the year and are the basis for ongoing discussions about progress.**

While there has been an increase in the tracking of corporate KPIs during the 2013–14 financial year (from over two-thirds of councils to almost three quarters of councils), **27% still don't have KPIs in place.**

The fall in the number of metro and rural council whose KPIs were 'on track' was also interesting. During the 2013–14 financial year, 70% (down from 85%) of metro councils and 70% (down from 88%) of rural councils were 'on track'. As a result, a much higher percentage of KPIs are 'in progress', with 23% in metro and 21% in rural councils. It is important for councils to question why the status of KPIs may have shifted in the past year and whether there are actual performance issues, or whether it is a result of extra 'stretch' being incorporated into the 2013–14 financial year goals.

Key considerations:

- Do you regularly update employees on how KPIs are tracking?
- Do your KPIs challenge people to perform and are they having a positive impact on your performance?

Figure 5.12: Percentage of councils with corporate KPIs

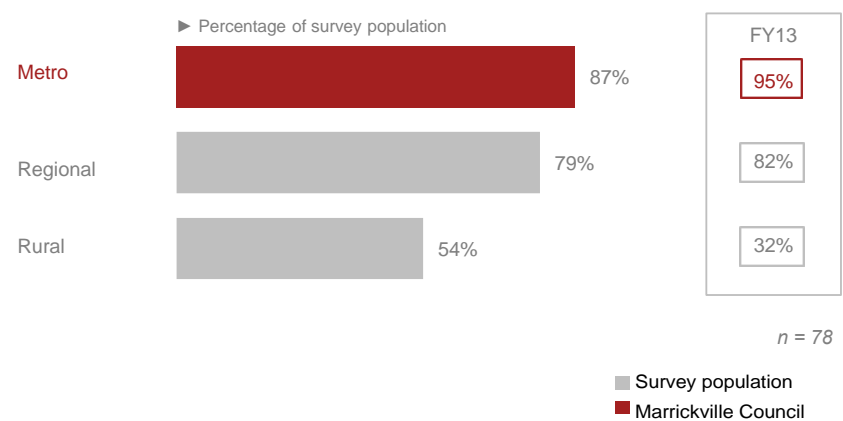
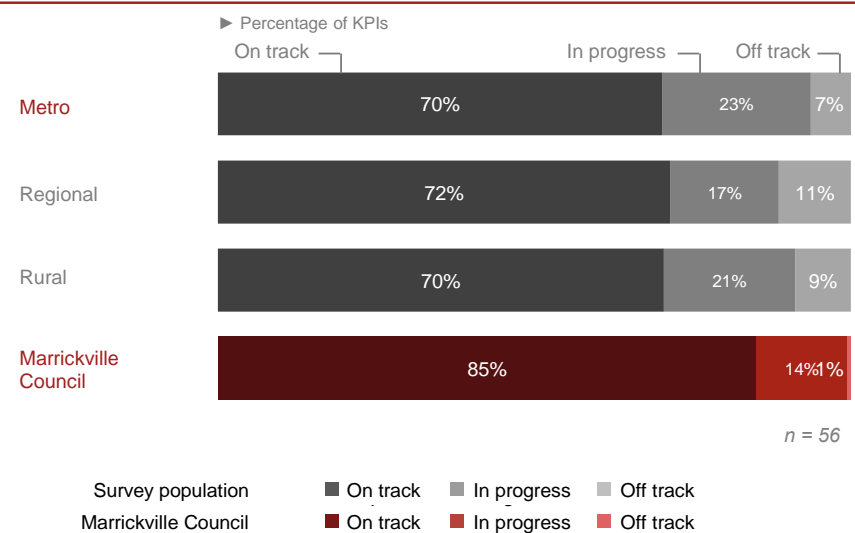


Figure 5.13: Results from tracking corporate KPIs



Contacts

Contacts

The NSW Local Government Operational and Management Effectiveness Report FY14 is produced in conjunction with Local Government Professionals Australia, NSW and the results are analysed by PwC.



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Definitions



Definitions

Headcount

Headcount includes permanent and fixed term contract employees based on your HR extract from question 4.1.1. Casual employees are excluded. We calculate headcount at two points in the financial year, 1 July for opening headcount and 30 June for closing headcount.

Full time equivalents (FTE)

FTE includes permanent, fixed term contract employees and casuals based on your HR extract from question 4.1.1. We calculate FTE at two points in the financial year, 1 July for opening FTE and 30 June for closing FTE.

Calculating headcount or FTE at 1 July 2013

Headcount or FTE employees with the following criteria are included:

- Start date on or before 1 July 2013
- An FTE status greater than zero at 1 July 2013 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 1 July 2013

Calculating headcount or FTE at 30 June 2014

Headcount or FTE employees with the following criteria are included:

- Start date on or before 30 June 2014
- An FTE status greater than zero at 30 June 2014 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 30 June 2014

Workforce, employees or staff

When we refer to your 'workforce', 'employees' or 'staff' it relates to headcount thereby including only permanent and fixed term contract employees. If we use full-time equivalents, we will always refer to this group as FTE employees or refer to it in the metric name, for example, Actual training spend per FTE.

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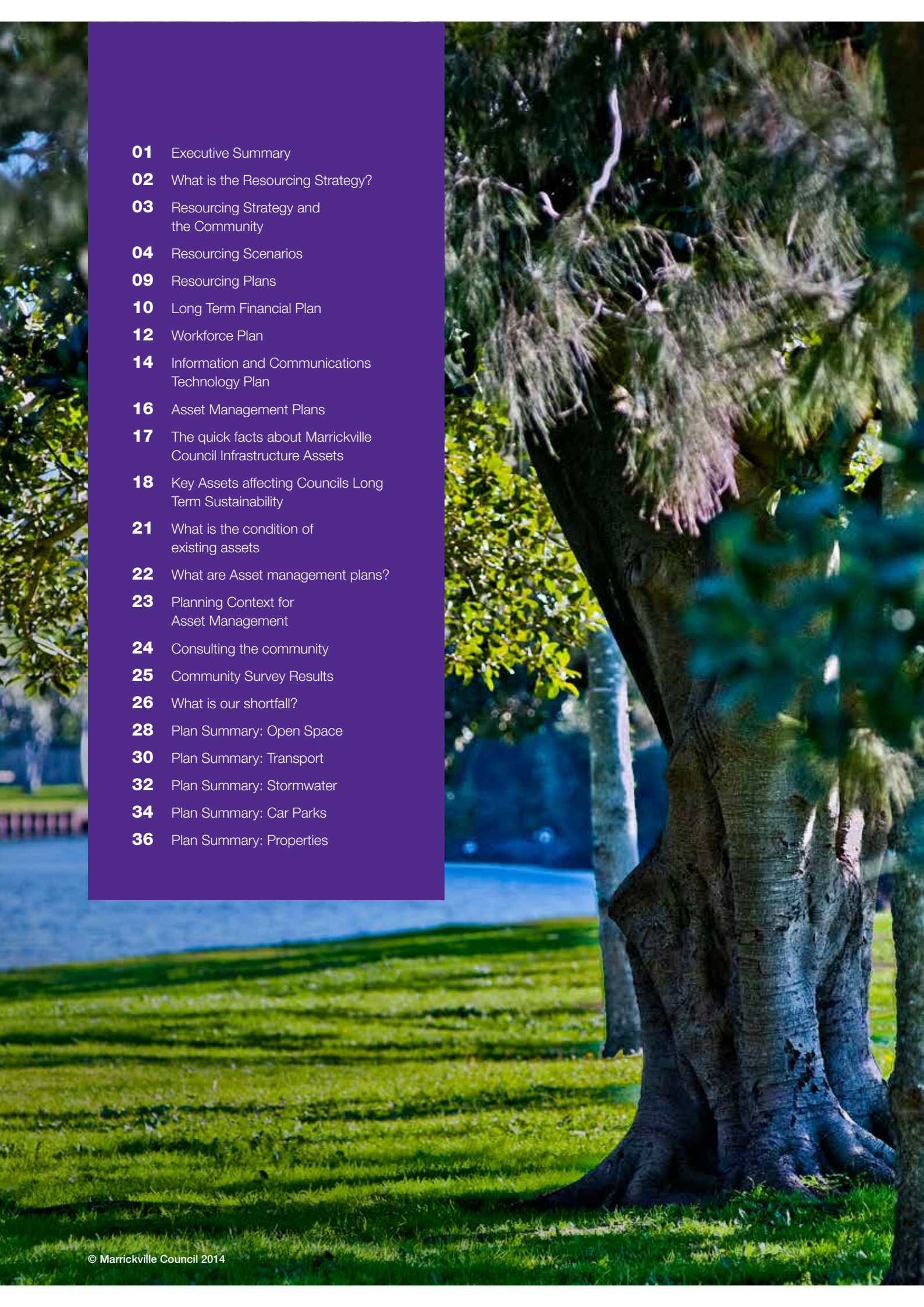
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Marrickville Council
**COUNCIL'S
RESOURCE
STRATEGY**

Attachment 14

- 
- 01** Executive Summary
 - 02** What is the Resourcing Strategy?
 - 03** Resourcing Strategy and the Community
 - 04** Resourcing Scenarios
 - 09** Resourcing Plans
 - 10** Long Term Financial Plan
 - 12** Workforce Plan
 - 14** Information and Communications Technology Plan
 - 16** Asset Management Plans
 - 17** The quick facts about Marrickville Council Infrastructure Assets
 - 18** Key Assets affecting Councils Long Term Sustainability
 - 21** What is the condition of existing assets
 - 22** What are Asset management plans?
 - 23** Planning Context for Asset Management
 - 24** Consulting the community
 - 25** Community Survey Results
 - 26** What is our shortfall?
 - 28** Plan Summary: Open Space
 - 30** Plan Summary: Transport
 - 32** Plan Summary: Stormwater
 - 34** Plan Summary: Car Parks
 - 36** Plan Summary: Properties

EXECUTIVE SUMMARY

Marrickville Council’s Resourcing Strategy has been developed to plan and prioritise the resources needed to realise the community’s long term goals.

The purpose of this document is to ensure Marrickville Council has effectively planned to advance towards the community vision and has considered the necessary assets, staffing, technology and money required to operate, develop and deliver on our commitment as outlined in the Community Strategic Plan, *Our Place, Our Vision 2023* over the coming 10 years.

Our Place, Our Vision 2023 is a plan for Marrickville as a whole. With a wide range of community partners, Council is not solely responsible for making the community aspirations a reality, but does play a critical and central role as the provider and manager of many key community services and facilities. The community expects Council to be an effective advocate, facilitator and partnership builder, helping the community to achieve better outcomes and to access services provided by the Federal and State government and private organisations.

Informing all planning, the 2012 Community Survey identified areas of concern, some of which are long-standing and very complex issues to address, and served to quantify performance gaps. Council continues to work to improve areas of service delivery that have been identified by the community as important or lacking. This is reflected in this Resourcing Strategy and will be addressed by the actions and funding within the Delivery Program and Operational Plan and Budget.

Context

The NSW’s legislative Integrated Planning and Reporting process provides a framework for Marrickville Council to successfully plan, monitor and deliver services to our community. The key elements of that framework are structured as follows:

- **Our Place, Our Vision 2023** – the Marrickville Community Strategic Plan endorsed in July 2013, identifies the sort of community Marrickville aspires to be in the long term and outlines Council’s commitment to achieving success against key result areas
- **Delivery Program 2013-17 (year 3)** – outlines Marrickville Council’s responsibilities in delivering aspects of *Our Place, Our Vision 2023* and provides the objectives that guide detailed activities council will undertake during its four year term of office
- **Operational Plan and Budget 2015-16** – outlines detailed annual actions and planned expenditure that Council will undertake to work towards the community vision
- **Resourcing Strategy** – sits alongside the Community Strategic Plan, Delivery Program and Operational Plan to support and resource our long term commitment. The strategy consists of four key components; Long Term Financial Plan (LTFP), Asset Management Plans (AMPs), Information and Communications Technology Plan (ICTP) and Workforce Plan (WFP).



WHAT IS THE RESOURCING STRATEGY?

The Resourcing Strategy supports and sits alongside *Our Place, Our Vision 2023*, the Delivery Program 2013-17 (year 3) and the Operational Plan 2015-16 and is an overarching strategy supported by the following resourcing plans:

- Long Term Financial Plan (LTFP)
- Workforce Plan (WFP)
- Information and Communications Technology Plan (ICTP)
- Asset Management Plans (AMPs) (stormwater, car parks, property, open space and transport)

Effective resource planning guarantees Council's focus extends beyond short-term priorities indicated in the annual Operational Plan, to also include the medium and long-term challenges. It determines the capacity and capability needed to deliver in an efficient and sustainable manner.

Council has prepared this Resourcing Strategy in the context of what we can do with the resources available and have detailed those responsibilities in this Strategy and the associated Delivery Program and Operational Plan.

The Resourcing Strategy is vital to ensure that Council staff, Councillors, and the community understand the major requirements to deliver, staff and maintain all of our services and assets, the associated costs and how those costs will be funded. Initiatives within the Resourcing Strategy and associated plans will be reviewed annually to ensure they remain relevant with a long term focus. This also provides an opportunity to incorporate community feedback and the changing environment. A full appraisal of the Resourcing Strategy will take place every four years following each Council election.



RESOURCING STRATEGY AND THE COMMUNITY

The purpose of the Resourcing Strategy from the perspective of a member of the community is to provide a transparent view of the opportunity cost of the decisions Council make. By reviewing what's included in these plans, a member of the community will have greater clarity on how and why Council prioritises the work we do.

- Marrickville Council cannot always afford to do everything the community requires in one go. In order to achieve all that the community needs, the Resourcing Strategy allows Council to map out those needs in an affordable way over 10 years.
- If an item is not included in the Resourcing Strategy, it is not provided for in the next 10 years. That does not mean that service is not required at all, it just falls further down the priority list than some of Marrickville's other services.

- The Resourcing Strategy provides a transparent view of the costs associated with services provided by Council. The quality, condition and function of those services can be increased or decreased depending on funds dedicated and levels of service requested.
- The Resourcing Strategy identifies how much Council's services will cost, how it will be paid for and what choices the community has in regard to levels of service.
- The various plans will identify when Marrickville Council works with partners to achieve the *Our Place, Our Vision 2023* outcomes, these partners include State and Federal departments, non-governmental organisations, alternative community groups, private organisations and individuals connected to the Marrickville community.



RESOURCING SCENARIOS

Council's Resourcing Strategy has been developed in conjunction with Council's *Long Term Financial Plan*, *Asset Management Plans*, *Workforce Plan* and *Information and Communications Technology Plan*. This suite of plans identifies the resources required for Council to undertake the actions needed to achieve *Our Place, Our Vision 2023*.

Long-term planning can be difficult, but it gives Council the opportunity to investigate and decided how to progress in the coming years, and identify the possible challenges. There are elements of the future that can be unpredictable, this is why we have identified two scenarios that will inform and drive our priorities towards achieving the commitments we made in *Our Place, Our Vision 2013*.

The following two scenarios will be reviewed annually and each of the plans, that form the Resourcing Strategy, will be updated to reflect any changes.

➤ **Scenario 1** addresses all existing infrastructure asset costs including:

- asset renewal
- operating costs
- maintenance
- capital upgrades
- new capital projects

➤ **Scenario 2** addresses infrastructure asset costs including:

- asset renewal
- operating costs
- maintenance

Although Council has referred to Scenario 1 in the Resourcing Strategy, the adopted position is to progress with Scenario 2. Scenario 2 is Council's adopted approach and incorporates the permanent 3% rate increase and annual savings through internal efficiencies. Scenario 2 is consistent with the level of service agreed to by the Marrickville Infrastructure Jury and adopted by Council in February 2015. The following are not included in Scenario 2:

- capital upgrades
- new capital projects
- opportunities for increased levels of service.

Additional community consultation will be undertaken to confirm these, as yet, unfunded levels of service and how they could be funded.

The level of funding and application for the special rate variation was based on extensive community engagement. In 2014 Council's independently appointed Citizens Jury (the Marrickville Infrastructure Jury – MIJ) met to analyse Council's existing infrastructure asset network and assess the relative priorities of new capital projects. The MIJ's final report in November 2014 identified a new minimum level of service for existing infrastructure assets throughout the Marrickville Local Government Area (LGA) – the associated estimated infrastructure funding shortfall was reduced from \$5.06m per annum to approximately \$2.35m per annum.

Following consultation with the wider community in February 2015 and resolving to pursue funding of the \$2.35m annual asset renewal shortfall from:

- A one-off permanent 3% special rate increase generating approximately \$1.35m per annum.
- A Productivity Improvement/Cost Reduction Program aimed at generating approximately \$1m per annum.

Council developed a program of works consistent with Scenario 2. Council has given consideration to the organisation's associated costs (such as information technology and human resources costs) and these are incorporated in the suite of plans that form Council's Resourcing Strategy.



RESOURCING PLANS

The detail for each plan is mapped out in the individual Resource Plans available on the Marrickville Council website. The following summaries provide an overview of the key themes relevant to each plan and identify the linkages and consistencies between them.

LONG TERM FINANCIAL PLAN

What is the Long Term Financial Plan?

The Long Term Financial Plan (LTFP) outlines the financial implications associated with meeting *Our Place, Our Vision 2023*. The purpose of the LTFP is to ensure that Council is a financially viable and sustainable organisation that is adequately funded to meet services levels expected by the community.

The LTFP has an emphasis on financial sustainability as one of the key issues facing Local Government organisations given constraints on revenue growth (rate pegging) and the ageing infrastructure across the Marrickville local government area. The LTFP is of significance as it tests the community aspirations against the financial realities of what can be achieved.

Key financial reporting instruments included in the LTFP are:

- Marrickville Council's resourcing scenarios – key assumptions used to develop the plan
- Projected income and expenditure, balance sheet and cash flow statements
- Rates Modelling and financially driven Key Performance Indicators
- Methods of monitoring financial performance

Marrickville Council has long operated from a position of financial stability and has, over many years attempted to achieve an operating surplus. This has been achieved in the current iteration of the Long Term Financial Plan. The overall objective of the plan is thus to ensure that Council remains a financially viable and sustainable organisation.

Our approach to long term financial planning

The integrated planning and reporting legislation requires that Council provide an understanding of its longer term financial position.

While the planning process is a dynamic one mirroring the needs of a rapidly changing community, there are two things that are clear; firstly, there will be a demand on Council to redevelop or dispose of existing Council properties to satisfy changed needs or to better meet existing ones. Secondly, there will be pressure to change the mix of services currently provided, to introduce new services and to increase service levels in response to changing demographics and concurrently invest more in maintaining increasingly ageing infrastructure. To that end, this LTFP sets out two scenarios that each, at the very least, maintain current service levels and establish a balanced budget.

- **Scenario 1** addresses all existing infrastructure asset costs including:
 - asset renewal
 - operating costs
 - maintenance
 - capital upgrades
 - new capital projects
- **Scenario 2** addresses infrastructure asset costs including:
 - asset renewal
 - operating costs
 - maintenance

In developing the LTFP, a 10-year forecast of Marrickville Council's financial position is developed collaboratively with key stakeholders and driven by financial assumptions based on industry standards. The LTFP scenarios address the potential for increased service levels or additional funding to sustain current service levels. These services levels are driven by demographic forecasts of the Marrickville Council area and are based on Census data projections. A gap analysis has been conducted to determine the shortfall in funding and funding sources have been identified to fund the gap.

Addressing our challenges

Council will need to carefully manage its funds to sustain its operations over the coming years.

In the current budget cycle, Council went through an exercise of identifying recurring savings of \$1 million without reducing service levels. These funds have been allocated to Council's Infrastructure renewal shortfall, identified in Council's Asset Management Plans. Council has undergone a collaborative exercise, with neighbouring Councils, in response to the NSW State Government's 'Fit for the Future' initiative. Council is using the financial information provided by the independent facilitator to address any shortfall identified and become 'Fit for the Future'.

This LTFP has been prepared using assumptions which are clearly outlined. However, as with all things, the future factors which may affect Council's financial position are uncertain. Long held assumptions will not always prevail. Long term plans such as this are useful as a guidance tool to help identify financial issues in advance, and enable a strategy or plan to be developed to deal with them.



WORKFORCE PLAN

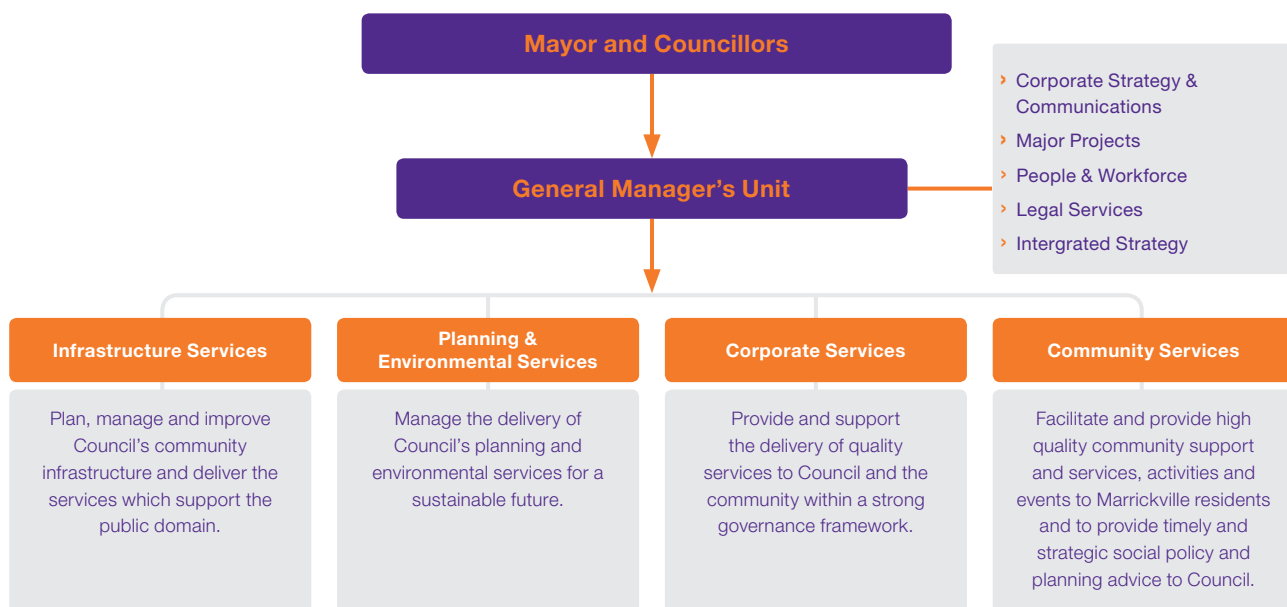
What is the Workforce Plan?

The Workforce Plan is a four-year strategic view of high level issues and themes to guide workforce management at Marrickville. A skilled, supported and motivated workforce is vital to the delivery of high quality services to the community and pivotal in achieving the outcomes of Marrickville's Community Strategic Plan *Our Place, Our Vision 2023*.

The Workforce Plan outlines the resourcing and management required to ensure Council has a skilled workforce that provides exceptional service to the community and meets the Delivery Program 2013-17 year 3 objectives that aims to:

- Attract and retain a skilled and motivated workforce
- Provide a safe and respectful workplace for Council staff
- Reflect the diversity of the community in the composition of Council's staff.

Organisational Structure



The Workforce Plan is based on research around industry practice and trends, examination of workforce statistics and profiles, and consultation with members of Marrickville Council's management to identify the future human resourcing needs. This engagement has informed the review of the Plan. Our focus is on aligning the capacity needed to meet the community outcomes from *Our Place, Our Vision 2023*. The updated Workforce Plan for 2015-2019 is based on continuing strategies from the 2014-2018 Plan, adjusting priorities where required.

Council's structure

Marrickville Council employs approximately 500 permanent employees, 50 temporary staff and a pool of 120 casual employees to provide services to the community living, working, visiting or shopping in the Marrickville Local Government Area (LGA). Council also has teams of dedicated volunteers who serve on Advisory Committees, help to make Marrickville a greener and cleaner environment to live in, and support the community through a range of outreach services.

Workforce Plan themes

The next 4 years looks ambitious but achievable. Strategies in the Plan will deliver a workforce that is skilled and productive, responsive to the needs of the community and able to achieve Council's promises as stated in *Our Place, Our Vision 2023*.

1 Maintaining a robust governance framework based on sound and relevant policies, systems and procedures that can sustain a high performing workforce

- Migrate systems to computer-aided solutions including Achievement Planning and Time and Attendance Management
- Partner closely with all business units to review their organisation and staffing structure to achieve the best results for the community and Council as an organisation
- Provide coaching to support Council's continuous improvement program and growth of internal and external engagement skills
- Embed a fair, respectful and ethical approach to work, a culture of achievement, and the Marrickville principles of collaborative, creative, responsive and respectful working in teams across the organisation

2 Meeting the challenge of an ageing workforce

- Undertake regular succession planning with business units
- Explore phased retirement or late career arrangements for mature aged staff
- Promote knowledge transfer/sharing within teams

3 Ensuring our staff have the knowledge and develop the skills critical to delivering high quality service to the community

- Implement an innovative Learning Management System
- Build project management skills to achieve optimal results
- Deliver best practice in customer experience and complaints management
- Develop planning, reporting, asset management and financial (PRAF) skills
- Deliver team-based programs designed to improve team dynamics and enhance creative and reflective thinking
- Consolidate and embed Council's Leadership and Management Program
- Evaluate and enhance Council's Emerging Leaders Program

4 Attracting and retaining excellent staff by providing a fair, diverse, engaging and safe working environment

- Enhance Council's job application and recruitment experience through an ongoing review of its recruitment systems and processes
- Investigate broadbanding of critical positions to aid growing talent from within
- Promote a culture that supports disability in the workplace
- Investigate and implement inclusive workplace practices and programs that celebrate Council's diversity

INFORMATION AND COMMUNICATIONS TECHNOLOGY PLAN

What is the Information and Communications Technology Plan?

The ICT Plan feeds into the Resourcing Strategy, which underpins *Our Place, Our Vision 2023*.

The ICT Plan has been developed with a four year focus and targets specific areas that will advance *Our Place, Our Vision 2023* through the technologies and resources allocated to ICT, and acknowledges the necessary work required in areas such as mobility, online and electronic solutions.

The ICT Plan comprises of four themes:

1 Business Infrastructure Services

The primary objective of this theme is to ensure that Council has an optimally performing physical computing and telecommunications environment with provision for business continuity (Council's Disaster Recovery Plan).

Business Infrastructure Services includes system hardware, networks and software, and services such as copying, printing, scanning and voice. Council's Business Infrastructure Services is supported by a team of appropriately skilled employees who maintain Council's suite of ICT systems.

Key projects

- Firewall upgrades to protect data and systems
- Fire Suppression Systems
- Operating System Upgrade to improve performance
- Radio Wireless Upgrades to improve connectivity
- Technological fit out of new Dulwich Hill Library and Steel Park Child Care Centre

2 Business Application Services

The primary objective of this theme is to ensure that corporate applications meet all practical and legislative processing requirements, while making technology advancements to enable the Council workforce to perform their individual service functions efficiently.

Council is committed to developing solutions that enable innovation and acknowledges that applications need to be efficient, reliable and integrated so as to maximise end-to-end business processing in an environment of collaboration and effective communications.

To this end, Council is committed to expanding its efforts in business improvement through the provision of Business Analyst and Project Management services to review, optimise and streamline existing processes.

Key projects

- Integration of Council's core applications to streamline business processes and increase productivity
- Review, leverage and improve existing systems and applications

3 On-line and Electronic Solutions

The primary objective of this theme is to provide solutions that support business growth through delivery of information, services, alerts to increase levels of business transactions. The community will gain better access to services through electronic forms and online interfaces where back-end processing will be handled by Council staff or automated processes where appropriate.

Key projects

- Transfer of existing static forms on the website to a more dynamic, electronic means (end-to-end processing)
- Implementation of an electronic lodgement solution for 149 and 603 Certificates
- Launch electronic rate notices
- Continuation of website upgrade

4 Mobile Solutions

The primary objective of this theme is to develop a suite of mobile applications that enable staff to access business related information anywhere, anytime using smart technology. This will provide increased flexibility and improvements in the ways users interact with Council and in productivity levels for business users in the delivery of their particular services.

Key projects

- Deploy standard mobile devices with tailored applications to assist staff remotely service the needs of the community
- Continued development of applications that can be used for DA tracking, waste collection bookings, council works notifications, sporting field closures and the like
- Continued development of applications that can be used for DA tracking, waste collection bookings, council works notifications, sporting field closures etc



ASSET MANAGEMENT PLANS

What are the Asset Management Plans?

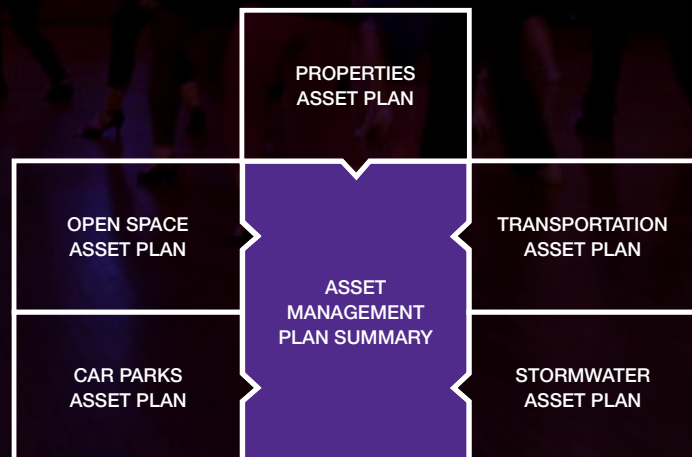
Marrickville Council's community assets affect how we move about and travel, how we relax and play, and where we meet. Currently, Council's assets are valued at approximately \$1 billion. The Asset Management Plans (AMPs), combined, form a critical component to the Resourcing Strategy and detail the required resources and activities necessary to manage these assets and ensure how Council's assets support the Marrickville community.

The AMPs are five detailed technical documents that concern the Council management of:

- Open Space
- Transport
- Stormwater
- Car Parks
- Properties

In addition to the five AMPs, Marrickville Council prepared an Asset Management Policy and Strategy, adopted in July 2013 which informs these plans.

This Resourcing Strategy provides insight into the complexities of infrastructure asset management and summarises each of the plans to communicate the key asset plans, key projects, issues and the required financial resources.



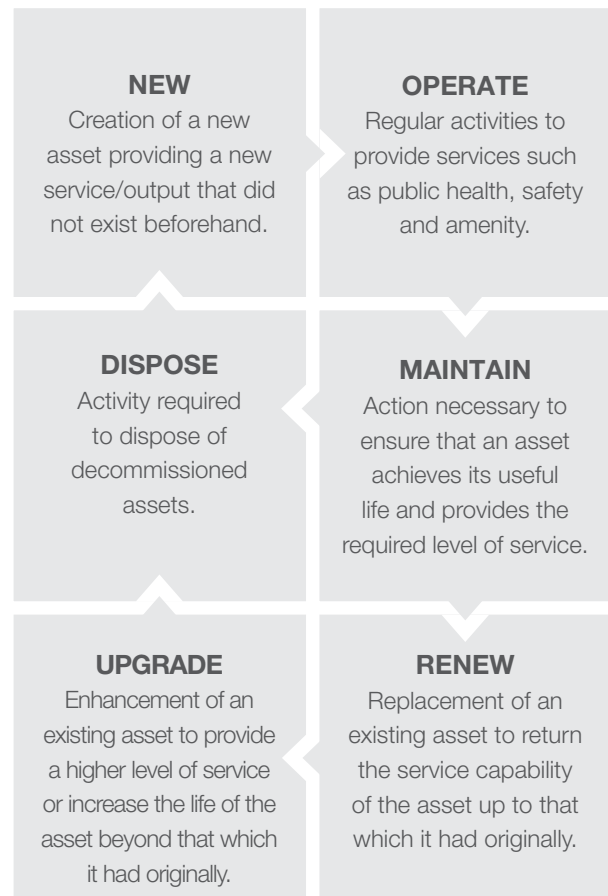
THE QUICK FACTS ABOUT MARRICKVILLE COUNCIL INFRASTRUCTURE ASSETS

THE QUICK FACTS

1. Infrastructure assets are valued at over \$1 billion.
2. \$44 million is spent on infrastructure assets each year.
3. Much of the infrastructure is old and in the later stages of their lifecycle.
4. There are limited funds available to maintain and service existing assets.
5. As assets age, maintenance costs increase.
6. Levels of service have been agreed through engagement.
7. The backlog of infrastructure asset works is decreasing.

Basic facts for infrastructure assets

> An assets **Lifecycle** is



- > **Backlog** is the estimate of how much Council needs to spend to bring all infrastructure assets to a satisfactory level of service.
- > **Satisfactory** levels of service are agreed with the community for sustainable long term asset planning.
- > **Funding shortfall** is the difference in current funding and estimated required funding to maintain the assets at the agreed level of service.

A complete glossary is in the appendix of each detailed asset management plan.

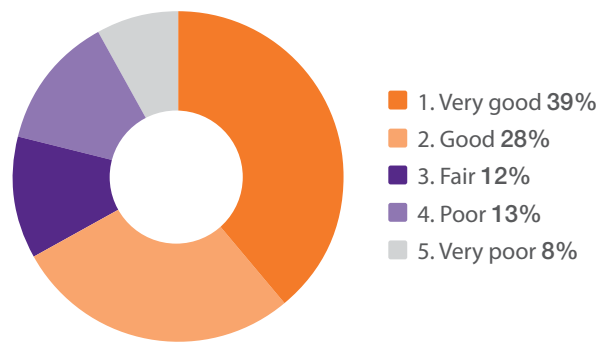
KEY ASSETS AFFECTING COUNCILS LONG TERM SUSTAINABILITY

Roads

Marrickville Council provides a road network in partnership with other Roads authorities such as Roads and Maritime Services and neighbouring councils for safe and efficient pedestrian, vehicular and cycle transportation. Marrickville Council has 190 km of local roads and lanes and 24 km of regional roads with a total replacement value of \$420 million and depreciated value of \$341 million. Average annual maintenance expenditure is \$1.38 million and average annual renewal expenditure is \$2.18 million (16% of which is allocated to kerb and gutter replacement).

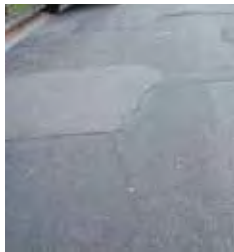
The special rate variation will fund a further \$550k per year for roads renewal.

Condition of Council roads by km length



1: Very good

As new construction, with perfect alignment and a sound surface, with no indication of distress.



2: Good

Sound construction with good surface condition and minor distortion, may show limited ageing and or sporadic localised distress such as fine widely spaced cracking or small stripping/ravelling areas with random patches.



3: Fair

Reasonable construction with some signs of surface distress, such as open cracking, ravelling/stripping and or rutting and roughness in medium to large scale.



4: Poor

Surface showing substantial distress, extensive and wide cracking across the majority of the pavement and or substantial distortion such as medium to high rutting, roughness and potholes, patches of the pavement surface.



5: Very poor

Surface suffering from extensive and substantial distress, extensive failed and wide cracking areas, high roughness, rutting or ravelling, stripping of the pavement. Pavement which has hazardous surface such as potholes, skid resistant.

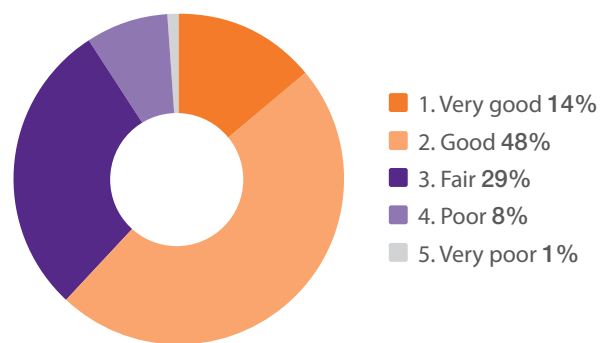
**Visual description are for asphalt roads.*

KEY ASSETS AFFECTING COUNCILS LONG TERM SUSTAINABILITY

Footpaths

Marrickville Council provides a footpath network for safe and efficient pedestrian usage. Marrickville Council has 476 km of footpaths with a total replacement cost of \$69 million and depreciated value of \$44 million. Average annual maintenance expenditure is \$625,000 and average annual renewal expenditure is \$1,351,000.

Condition of Council footpaths by km length



1: Very good

As new construction, with perfect or near condition, very minor fine cracks, no distress, no trip hazards, no risk of public injury.



2: Good

No distortion, may show limited ageing, sporadic localised distress such as fine (less than 2mm), widely spaced cracks, low stepping or tilting, trip height less than 10mm.



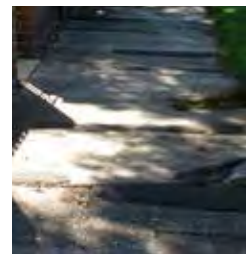
3: Fair

Showing considerable distress such as fine to moderate cracking (2-5mm), minor distortion, trip height 10mm – 30mm, areas that have been made safe at a number of locations, uneven surface, missing sections or restorations.



4: Poor

Showing substantial distress such as extensive and wide opened cracks (more than 5mm), substantial distortion, trip height 31mm – 50mm at close intervals, a number of restored and made safe areas, very uneven surface.



5: Very poor

Showing substantial distress such as extensive and wide opened cracks (more than 5mm) across the majority of the surface, substantial distortion, trip height more than 50mm, many areas of restored or made safe areas, aged footpath, very uneven surface.

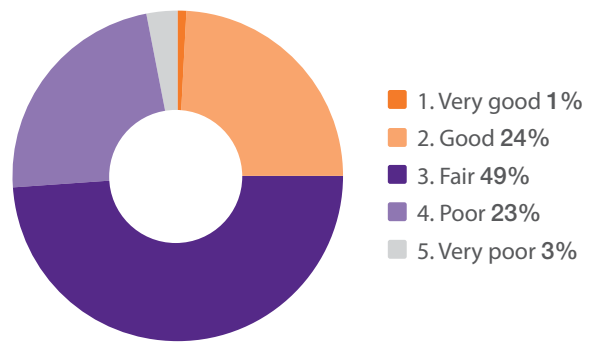
**Visual description are for concrete footpaths.*

KEY ASSETS AFFECTING COUNCILS LONG TERM SUSTAINABILITY

Kerbs and Gutter

Marrickville Council provides a Kerb and Gutter network for safe and efficient stormwater collection. Marrickville Council has 424 km of kerb and 320 km of gutter with a total replacement cost of \$76 million and depreciated value of \$45 million. Average annual kerb and gutter repair and maintenance expenditure is \$353,000.

Condition of Council kerb and guttering by km length



1: Very good

Near new, none or occasional minor surface cracking, no misalignment (tilting, dropping, rotation), no ponding, no risk of public injury due to surface defects, no need for any intervention.



2: Good

Some signs of wear and tear, no immediate intervention required, no risk to public safety, isolated fine to moderate cracking at intervals, isolated misalignment up to 5 mm, minor cosmetic chipping only, no impact on performance, minor ponding in gutter only.



3: Fair

Some isolated defects, some risk to public safety and amenity, block cracking 3 to 5mm wide for up to 20% of the length, misalignments of 5 to 15 mm for up to 30% of the length, isolated chipping, max 30mm diameter, average 5mm apart, more significant ponding in the gutter with no more than 30% affected.



4: Poor

Poor condition with extensive wear and tear, significant risk to public safety and amenity, block cracking (5mm) but typically intact covering 20 to 50% of the section, misalignments of 15 to 50mm covering over 50% of the section, water infiltration to pavement, chipping and spalling with some water infiltration evident, ponding encroaching onto pavement and isolated pavement damage.



5: Very poor

Significant defects, high risk to public safety, pavement and amenity, block cracking with displacement and sections missing, water infiltrating pavement, misalignment over 50mm and over 50% of section affected, major spalling, water ponding significantly encroaching onto pavement, impacts to adjoining pavement.

**Visual description are for concrete kerb & gutter.*

WHAT IS THE CONDITION OF EXISTING ASSETS

Marrickville Council adopts a consistent approach to the assessment of the condition of infrastructure assets.

Condition assessments are fundamental to asset management to:

- Identify assets or areas where maintenance is needed to meet service levels.
- Regular assessment gives information on the trend of deterioration in the asset group.
- Enables estimates of costs to restore to a reasonable level.
- Help to plan for future maintenance.
- Provides key information for risk management.

Current programs for condition assessments include roads, footpaths, kerb and gutter, stormwater pits, CCTV, stormwater pipes, electrical switchboards, traffic facilities, safety guardrails, park and roadside furniture and lighting poles. These programs provide council a continuous improvement to the data required to analyse sustainability and predict future funding levels.



WHAT ARE ASSET MANAGEMENT PLANS?

Asset Management Plans define the services, how the services are provided, what funds are required and actions for agreed levels of service in the most economical manner.

Asset Group	Lifecycle activities			
	Operational	Maintenance	Renewal	Upgrade/New
Transportation	Verge mowing, cleaning, planning	Road patching/slab repairs/joint sealing/potholes, footpath repairs/make safe, kerb and gutter repairs, bridge painting/repairs, restorations by others, pavement marking	Road resheeting, concrete road slab replacement, footpath reconstruction	Streetscape upgrades, new traffic management facilities, Bicycle paths, kerb ramps, water fountains, bus shelters
Open Space	Mowing, weeding, cleaning, planning, testing	Fire compliance, playground equipment repairs, minor repairs and replacements.	Replacement of multiple components/assets, returfing, replacing trees	Upgrading the level of service of parks/playgrounds/buildings, new facilities
Stormwater	Cleaning, planning, education	Repairs of pits and pipes	Relining of pipes, reconstruction of pits/pipes	New pits/pipes/bioretenion system/WSUD device, increase of capacity of pits/pipes
Properties	Air Conditioning, Auto Doors, Backflow Devices, Electrical Tagging & Testing, Emergency Exit Lighting, Fire Services, Hygiene, Landscaping/Plants, Pest Control, Sanitary, Security, Thermo Mixing Valves, Trade Waste Agreements, Water Testing	Preventative & cyclical maintenance including fire equipment, exit & emergency lighting replacement, lifts, auto doors, roof & gutter cleaning, air conditioning etc. Also includes reactive maintenance and repairs	Replacement of large building and facility components that have significant capital expenditure e.g. roof replacements, internal refits, replacement of HVAC units	Upgrading of existing buildings and facilities to meet community expectations and operational needs and the creation of new assets
Carparks	Cleaning & Litter, Landscaping/Plants, Security	Pavement patching, pothole repairs, lighting repairs, line marking and signs	Pavement renewal, asphalt re-sheeting and light pole replacements	New/Upgraded car parks

PLANNING CONTEXT FOR ASSET MANAGEMENT

Marrickville Council implements asset management through the Integrated Planning and Reporting (IP&R) Resourcing Strategy. The IP&R resulted from the Department of Local Government recognising the need for improved asset management for council's infrastructure assets, and includes statutory planning and reporting processes required by the Local Government Act 1993 and the Environmental Planning and Assessment Act 1979.

Integrated Planning and Reporting enables defined strategic asset management for the financially sustainable delivery of council's infrastructure services. The asset management plans support the Community Strategic Plan through the four Key Result Areas:

KRA 1: A diverse community that is socially just, educated, safe and healthy

KRA 2: A creative and cultural Marrickville

KRA 3: A vibrant economy and well planned sustainable urban environment and infrastructure

KRA 4: An innovative, effective, consultative and representative council

As part of Marrickville Council's Resourcing Strategy, the new Infrastructure Planning Section was created in 2010/11 to improve Council's long-term strategic planning and management of community assets. The asset management plans strategically introduce changes to existing service levels, construction techniques, and the design and maintenance of council's assets.

Marrickville Council is implementing asset management in a structured and consistent manner guided by the International Infrastructure Management Manual (IIMM) and the Institution of Public Works Engineers Australia NAMS.PLUS methodology.

Council recognises that Asset Management Plans are comprehensive documents that require technical complexity and ongoing development. Council has created this Summary Asset Management Plan to communicate the asset management principles and fundamentals of long term asset management planning.

The Detailed Asset Management plans define asset services, how the services are provided and what funds are required, including actions for agreed levels of service in the most economical manner. The benefits of detailed asset management plans include

- improved stewardship and accountability
- improved communication and relationships between service user/provider
- improved risk management
- improved financial accountability
- providing service from infrastructure in a sustainable manner

Integrated Sustainable Asset Management Planning

Marrickville Council's goal is to provide the required level of service to the community in the most cost effective manner throughout the lifecycle of assets (New, operate, maintain, renew, upgrade, dispose), to provide for present and future consumers. It is recognised nationally that the asset management planning for Local Government is complex with significant aged assets and budgeting constraints.

Asset management is constantly evolving and changing in order to maintain sustainability through the various demands such as population or demographic changes, climate change, peak oil impacts, technological advances, changing lifestyles and obsolescence. Asset management planning gives an opportunity to explore all possible alternatives such as non asset solutions and new technology.

The asset sustainability ratio and asset renewal funding ratio will soon be introduced as national indicators for long term sustainability. Current estimations of these indicators show that Council will need to increase replacement and renewal budget allocations for roads, footpaths, kerb, gutter, stormwater pits and pipes for improvement in long term sustainability.

CONSULTING THE COMMUNITY



Council began consultation with the community on the condition of its infrastructure assets as part of the 2013 review of the *Community Strategic Plan*.

It is important that the community has a say on the management of infrastructure assets and the standard at which they expect assets to be maintained. The condition of infrastructure impacts the quality of life and safety of the community; it also impacts Council's planning and budgeting and the allocation of resources to the community's priorities.

Council must maintain infrastructure to acceptable standards for safety and function, and needs to know what is an acceptable standard for our community.

Community feedback on infrastructure condition helps Council to prioritise work and spending; it helps when making recommendations to our Councillors on the budget and the level of rates required to fund infrastructure.

COMMUNITY LEVELS OF SERVICE

Community levels of service measure how the community receive the service in terms of:

- **Quality**
How good is the service?
- **Function**
Does it meet the user's needs?
- **Capacity/utilisation**
Is the service over or under used?

The Community levels of service including performance measures, current levels of service and optimal levels of service are listed in the detailed asset management plans.

Council translates what the community need into technical levels of service which are used to measure council performance for service levels. The technical levels of service are noted in the detailed asset management plans. The desired levels of service are obtained from customer satisfaction surveys, customer feedback, service requests and correspondence and community engagement.

Council uses the levels of service as a performance measurement to establish forward works programs, maintenance schedules and delivery programs for the short and long term planning.



COMMUNITY SURVEY RESULTS

Council’s community surveys have consistently identified the importance the community places on maintaining critical infrastructure assets. The 2014 Survey identified infrastructure assets as being the areas of most immediate priority for Council based on the performance gap analysis.

Council’s Delivery Program 2013/17, Operational Plan 2015/16 and Resourcing Strategy address community concern with specific activities and funding to identify high priority assets for improvement.

Service area	Importance mean	Satisfaction mean	Performance Gap
Maintaining footpaths	4.42	2.91	1.51 (very high)
Maintaining local roads	4.34	3.00	1.34 (med. high)
Providing adequate drainage and flood controls	4.29	2.98	1.31 (med. high)
Management of street parking in residential areas	4.06	2.79	1.27 (med. high)
Ensuring that new developments maintain or enhance their surroundings	4.28	3.04	1.24 (med. high)
Long term planning for Marrickville	4.33	3.13	1.20 (med. high)

Community consultation

The Marrickville Council Community Survey in August 2014 explored responses to 37 service areas. While the response indicated a high level of satisfaction, infrastructure was one of the areas that ranked high and where there was still a level of dissatisfaction.

Between September and November 2014, Council called together the Marrickville Infrastructure Jury to deliberate on the level of infrastructure quality the community expect, and what the priorities for new infrastructure might be. The Jury agreed all Condition 5 ‘very poor’ infrastructure should be repaired, replaced and or decommissioned, and determined the acceptable infrastructure quality for specific assets as shown in the adjacent table.

MIJ standard of asset condition

Condition	Roads	Footpaths	Kerb and Gutters
1. Excellent	51%	10%	9%
2. Good	17%	12%	5%
3. Average	12%	78%	69%
4. Poor	20%	0%	17%
5. Very Poor	0%	0%	0%

LONG TERM INFRASTRUCTURE ASSET MANAGEMENT

Long term infrastructure asset management looks at the lifecycle needs of each asset group over an annual, 4 year and 10 year forecast and compares against the available funding in the base case long term financial plan.

Impacts of shortfalls

- Lower levels of service
- Lower reliability of service
- Poor asset conditions
- Higher level of risk
- Increased costs for critical assets

6 Step Plan to resolve the shortfalls

- Step 1: Explain the impacts of shortfalls
- Step 2: Improve asset knowledge/data
- Step 3: Improve efficiency to optimise lifecycle costs
- Step 4: Identify and manage risks
- Step 5: Identify surplus assets and dispose
- Step 6: Engage with the community to set affordable levels of service to balance service levels and costs

A funding gap exists where there is insufficient capacity to fund asset renewal, maintenance and other operational life cycle costs at the required level of service for existing assets or to support demand for new or upgraded infrastructure.

Funding gaps for renewal and maintenance were identified in the 2014/2015 asset management plans as part of the resourcing strategy. The Marrickville Infrastructure Jury determined that council had an annual renewal shortfall of \$2.35million to bring existing infrastructure up to a satisfactory standard. A productivity and efficiency plan was implemented to source \$1 million in savings without reducing services. An application for a special rate variation was successful commencing in 2015/2016 to bridge the remainder \$1.35 million gap. Council currently does not recognise any funding shortfalls for renewal works.

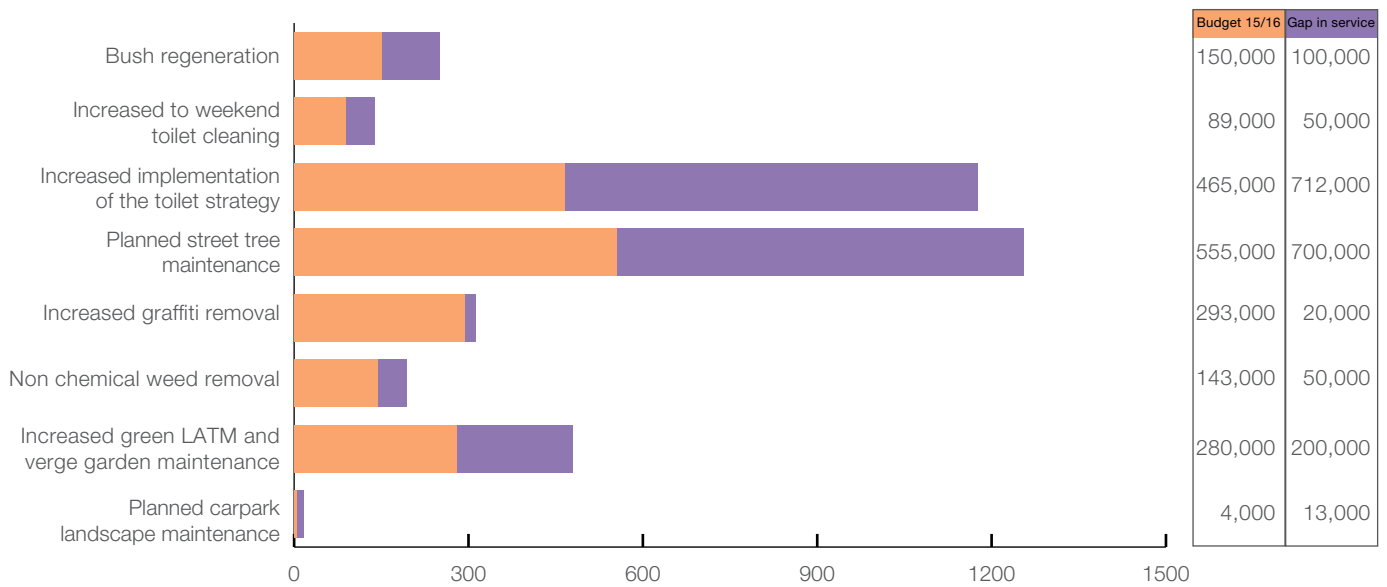
There is a long term strategy to fund the maintenance gaps commencing 2016/2017 with an additional \$1.25million.

Lifecycle	ANNUAL INFRASTRUCTURE SHORTFALL (SCENARIO 1)				
	Open Space	Transport	Stormwater	Carpark	Properties
Capital Upgrade total: \$2,054,500		\$750,000 Town centre upgrade	\$1,000,000 Flood mitigation & increased pit and pipe capacity	\$12,500 Lighting upgrade	\$292,000 Facilities renewal with upgrades to current standards
Capital New total: \$2,020,000		\$520,000 Kerb ramps (\$120k), Bicycle plan (\$400k)			\$1,500,000 Integrated property strategy
TOTAL		\$1,270,000	\$1,000,000	\$12,500	\$1,792,000

Increasing service standards

There is also a funding shortfall in areas where the community has identified a need to increase the level of service. Community engagement is required to confirm the following identified unfunded increases in services including how they could be funded.

2015/2016 Opportunities to change current service standards



PLAN SUMMARY: OPEN SPACE

Council provides open space assets to enable active, healthy, safe, functional and accessible community recreation. Open space assets contribute to the social, ecological and economic well being of the community by providing a place for events, organised and spontaneous recreation, appreciation and conservation of the natural environment.

Council's open space assets are valued at \$76 million. The assets that support the open space environment include sports fields, playgrounds, carparks, paths, utilities, park furniture, garden beds, trees, grassed areas, buildings.

- External playing surfaces (147 assets)
- Landscaping and pathways (1044 assets)
- Lighting (1055 assets)
- Outdoor furniture (1074 assets)
- Playground equipment (318 assets)
- Water and drainage reticulation (60 assets)
- Carparking (48 assets)
- Fencing and gates (633 assets)
- Site and shade structures (298 assets)
- Small bridge structures (4 assets)
- Flagpoles (7 assets)
- Other structures (2211 assets)
- Park buildings (73 assets)

Council is embarking on a recreation strategy that emphasises a broad spectrum of activities ranging from individual passive activities to active organised sporting competition. The assets supporting recreation across the LGA require suitable levels of service for the proposed use. Upgrades and increasing the use of certain assets requires a review of the lifecycle operations and maintenance costs as well as capacity. Open space design guidelines and making the most of the space available are key to sustainability in the open space.

Parks Asset Plan

Issues	Delivery projects 2015-19
Key Category: Park Buildings Value: \$27m	
Structural integrity, property damage due to fire or electrical fault, Asbestos, injury to people and property, building disposal planning, changes to building standards, lifecycle costs considerations such as maintenance and operational cost increases associated with new buildings	<p>Toilet Strategy: New toilet to Wicks Park, Sydenham Green, Hoskins Park, Weekly Park</p> <p>Park Building Upgrades : Camperdown Park, Marrickville Park</p>
Key Category: Land Improvements Value: \$49m	
Vandalism, deterioration, asset failure, injury to people and property, asset usability, environmental effects, asset disposal planning, lifecycle costs considerations such as maintenance and operational cost increases associated with new assets and park upgrades	<p>Park Upgrades: Camdenville Park, Sydenham Green, Marrickville Park, Camperdown Park</p> <p>General: Dog off leash facilities, exercise equipment, Street tree/ park tree renewal and planting, Pocket Park upgrade program, sports field upgrades, playground upgrades</p>

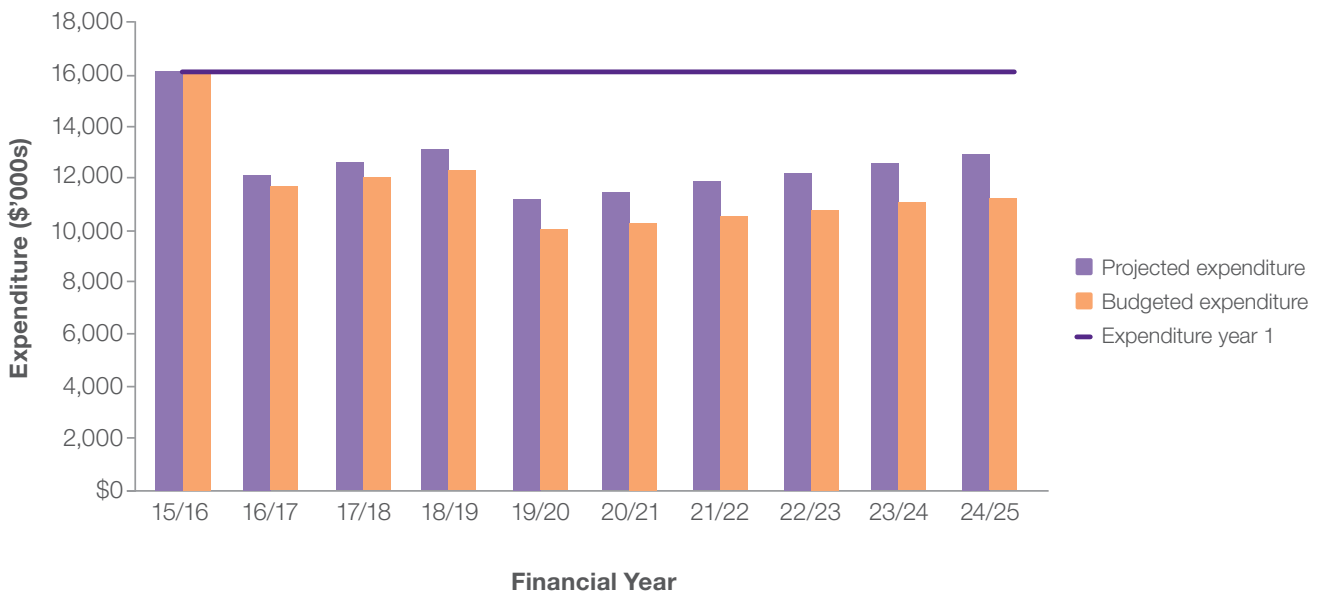
The table below shows the lifecycle budget expenditure for the open spaces assets in the 2015/16 - 2018/19 program of works. This expenditure is consumer price indexed for future years operations and maintenance budgets. Asset management planning does not use consumer price indexing hence the asset management plan and 10 year resourcing strategy is at today's dollars. The indexing will occur during the integration of the asset management plans into the long term financial plan.

Lifecycle Expenditure \$'000	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget
Operations	\$6,348	\$6,417	\$6,603	\$6,790
Maintenance	\$294	\$354	\$365	\$375
Capital Renewal	\$4,272	\$2,292	\$2,334	\$2,365
Capital Upgrade	\$5,200	\$2,607	\$2,658	\$2,686
Total	\$16,114	\$11,670	\$11,960	\$12,216

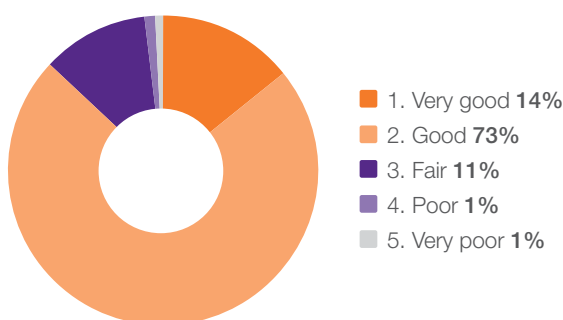
Asset Management Plans compare the lifecycle projected expenditure required to provide services compared with planned expenditure currently included in the Long Term Financial Plan. The graph below shows the projected expenditure in purple, budgeted expenditure in orange and year 1 expenditure is the strong purple line.

The estimated effect of the 10 year resourcing strategy the on condition is shown in the pie charts below. This Resourcing Strategy aims to maintain the existing quality of assets and eliminate all Condition 5 'very poor assets' to align with the community levels of service set by the Marrickville Infrastructure Jury.

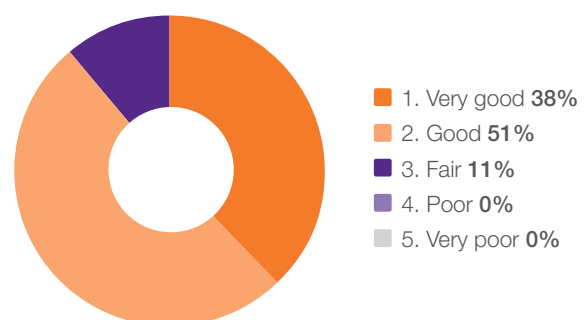
10 year renewal resourcing strategy



Current condition



10 year projected condition*



*This is based on the above 10 year resourcing strategy scenario 2.

PLAN SUMMARY: TRANSPORT

Marrickville Council provides a road network in partnership with other Roads authorities such as Roads and Maritime Services and neighbouring council's for safe and efficient pedestrian, vehicular and cycle transportation.

Council's transportation assets are valued at \$593 million and include:

- 216 km of roads.
- 426 km of footpaths.
- 320 km of gutter.
- 424 km of kerb.
- 1 road bridge, 1 footbridge.
- 1,141 traffic devices.
- 2.6 km of retaining walls.
- 127,040 road furniture assets (including seats, bins, signs, lines, white way lighting).
- 22,608 Street trees.
- 160km grass or garden verge

Many of the transportation assets are approaching the end of their useful life. These assets require maintenance and renewal to continue to provide the level of service the community needs. Gradual development and urbanisation of Marrickville Council and changes in demands from vehicles, bicycles and pedestrian safety have created traffic congestion on main roads and inadequate roadside parking. Parking and traffic studies are underway to look at strategies to meet the needs of the community. The aging footpath network and conflicts with other assets such as trees and service authorities (Telstra, Ausgrid, Sydney Water) require strategic planning to provide cost effective and efficient maintenance solutions. The Connecting Marrickville Project aims to connect the planning and delivery of streetscape infrastructure with the people who use it. It is intended that this program will carry out footpath renewals to improve the condition of footpaths across Marrickville.

Transport Asset Plan

Issues	Delivery projects 2015–19
Key Category: Roads and Traffic Facilities/Management Value: \$524m	
Ageing infrastructure resulting in increased maintenance, increased demand due to regional population growth, demand changes due to improving technology, financial constraints on budgets, optimisation for life cycle management, changes in use of roads, biodiversity, climate change, environmental cracking/deterioration	Capital renewal and upgrade of regional roads, local roads and lanes, bridges, traffic devices, road side furniture and traffic management facilities. Kerb and gutter works are carried out in coordination with footpaths and roads. See the delivery program for full listing of projects proposed
Key Category: Footpaths Value: \$69m	
Ageing infrastructure, ageing population, changes in accessibility requirements, environmental cracking/deterioration, street tree roots, increased biodiversity, maintaining clearances for footpaths from trees, technology change, financial constraint on budgets, optimisation for life cycle management, climate change, changes in expectation from gentrification	Capital renewal and upgrade of footpaths including concrete/asphalt and heritage locations. See the delivery program for full listing of projects propose

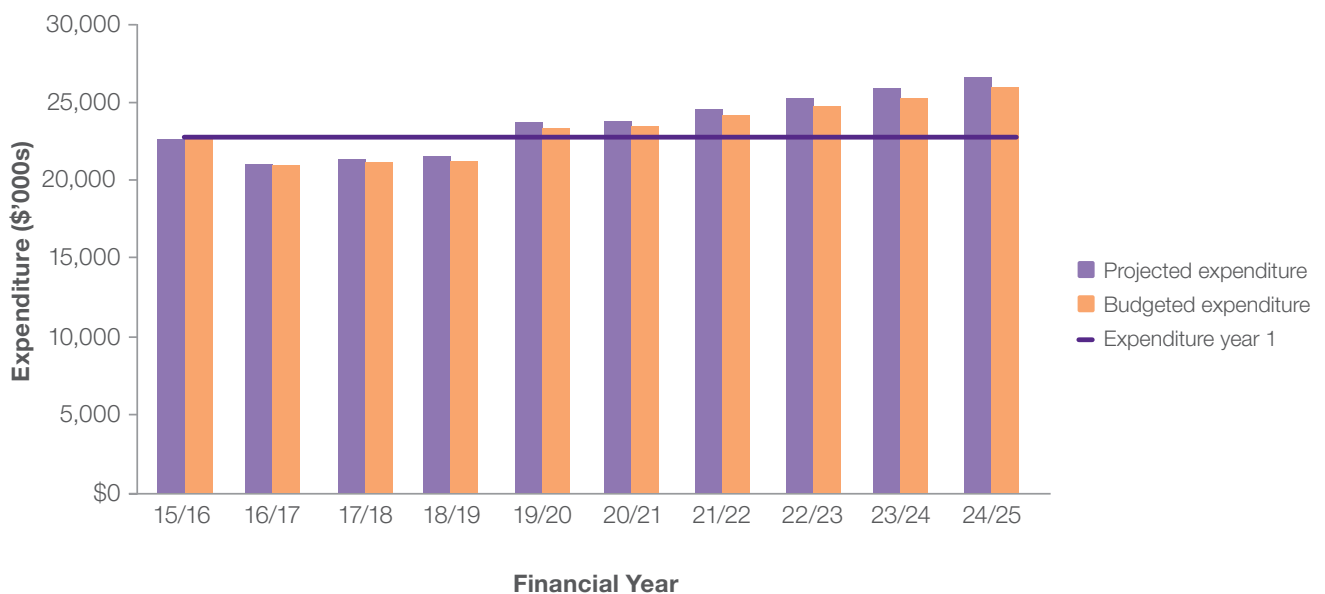
The table below shows the lifecycle budget expenditure for the transportation assets in the 2015-19 program of works. See page 25 for further explanation.

Lifecycle Expenditure \$'000	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget
Operational	\$11,233	\$11,585	\$11,781	\$11,854
Maintenance	\$2,975	\$3,200	\$3,290	\$3,382
Capital Renewal	\$4,448	\$4,146	\$4,162	\$4,266
Capital Upgrade	\$4,068	\$2,026	\$1,882	\$1,776
Total	\$22,724	\$20,957	\$21,115	\$21,432

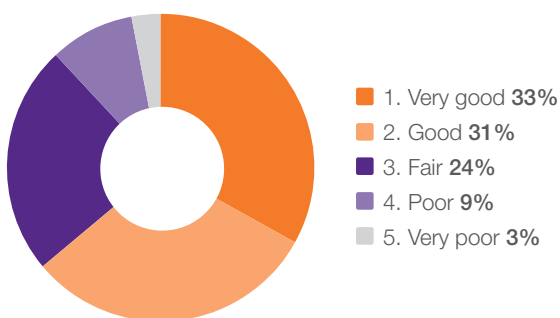
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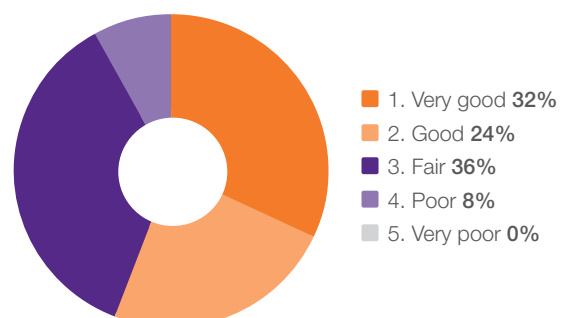
10 year renewal resourcing strategy



Current condition



10 year projected condition*



*This is based on the above 10 year resourcing strategy scenario 2.

PLAN SUMMARY: STORMWATER

The stormwater infrastructure in the Marrickville LGA is one of the oldest in Sydney, dating back over 100 years. Stormwater assets can be difficult to manage with the limited information on location and condition of the pipe network.

Over the past 20 years, engineers have mapped the extent of the underground pipe network. In 2011 Council commenced a closed circuit television (CCTV) investigation to verify the condition of the underground network.

Council's stormwater assets are valued at \$120 million and include:

- 69.7 km of stormwater pipes (75mm to 1.8m, including 7.6 km box culverts, 0.4 km open channels)
- 4,808 stormwater structures (pits)
- 22 gross pollutant traps
- 1 pump station at Camdenville Basin
- 2 detention Basins (Marrickville Oval – 10,000 m³ and Camdenville Basin – 7,900 m³)
- 3 wetlands (Tempe Reserve – 5,500m³, 11,300 m³, and 13,700 m³)
- 16 Stormwater treatment systems (rain gardens, porous paving)

The stormwater network includes pipes and other infrastructure owned and managed by Sydney Water Corporation (18 km of pipes and the 100,000 m³ Sydenham detention basin), Roads and Maritime Services (11 km pipes), and RailCorp NSW (3.6 km pipes).

The gradual development and urbanisation of Marrickville LGA has meant that stormwater infrastructure has been built and modified over time, responding to the community's need for flood mitigation. The works were generally not sufficient for future development and are not planned for water quality improvements. Consequently, the stormwater system in Marrickville performs to a number of different design standards. A recent assessment of the condition of a small number of Council's stormwater pipelines showed that the pipe network requires significant renewal and upgrade. Stormwater infrastructure renewal and upgrade programs will use sustainable water management objectives and include water sensitive urban design technologies where possible.

Stormwater Asset Plan

Issues	Delivery projects 2015–19
<p>Key Category: Pipes, pits, box culverts, open channels, retarding basins, GPT, pump station, rain gardens</p> <p>Value: \$120.5m</p>	
<p>Flood protection to people and property, under capacity pipes due to age of infrastructure, unknown condition of pipes due to buried assets, impacts of climate change on existing infrastructure and properties, lack of information on the condition and verification of the underground stormwater network</p>	<p>Stormwater Renewal: Reline pipes in poor and very poor conditions identified through the CCTV inspection. Undertake further CCTV survey of pipes to continue this process</p> <p>Stormwater upgrade: Liberty Street Drainage, Bedford Street, Gladstone Street Pits and Pipe upgrade, Cooks River backflow prevention, Ruby Street and Flood warning system</p> <p>Stormwater new: Bio retention systems to Alice Lane, Albermarle Street, Scouller Street, Steel Park, Camdenville Oval, Enmore Park, Ryan Park and Henson Street School</p>

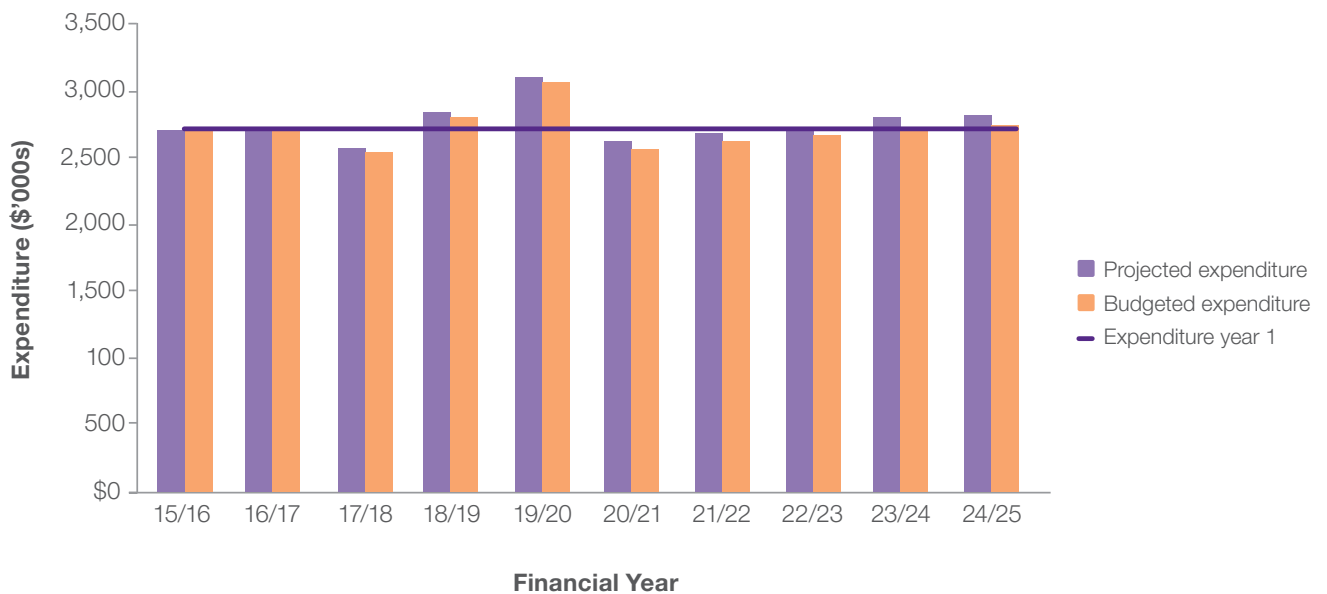
The table below shows the lifecycle budget expenditure for the stormwater assets in the 2015-19 program of works. See page 25 for further explanation.

Lifecycle Expenditure \$'000	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget
Operations	\$1,074	\$1,099	\$1,129	\$1,1159
Maintenance	\$157	\$471	\$484	\$497
Capital Renewal	\$550	\$559	\$561	\$561
Capital Upgrade	\$918	\$894	\$689	\$909
Total	\$2,699	\$3,023	\$2,863	\$3,126

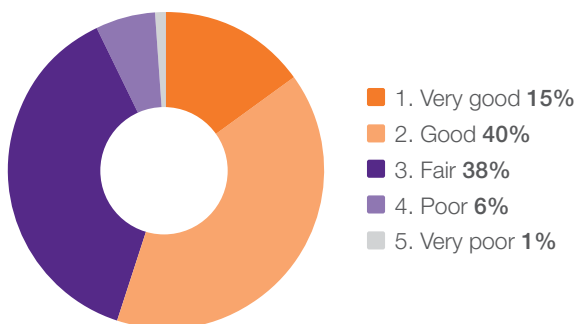
Asset Management Plans compare the lifecycle projected expenditure required to provide services compared with planned expenditure currently included in the Long Term Financial Plan. The graph below shows the projected expenditure in purple, budgeted expenditure in orange and year 1 expenditure is the strong purple line.

The estimated effect of this strategy on condition is shown in the pie charts below. This resourcing strategy aims to maintain the existing quality of assets and eliminate all Condition 4 'poor' and Condition 5 'very poor assets, where there is a flood risk, to align with the community levels of service set by the Marrickville Infrastructure Jury.

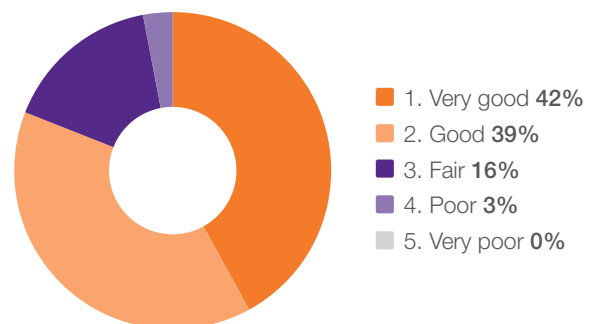
10 year renewal resourcing strategy



Current condition



10 year projected condition*



*This is based on the above 10 year resourcing strategy scenario 2.

PLAN SUMMARY: CAR PARKS

Council provides twenty three off street car parks to support the parking needs of the community and businesses. This car park network provides approximately 1,150 car parking spaces.

Council's off street car parking network assets are valued at \$9.4 million.

Council currently funds minor maintenance and pavement patching activities for its off street car parks. Risk associated with these car park assets is managed through on-going condition/risk assessments to ensure the existing levels of service are maintained.

Issues	Delivery projects 2015/19 listed in the 2015/16 capital budget
Key Category: Car parks Value: \$9.4m	
Structural integrity of infrastructure, including pavement, lighting, barriers, retaining walls etc, causing injury to people or damage to vehicles and property, Car park disposal planning, changes to Car park standards, lifecycle costs considerations such as maintenance and operational cost increases	Car Park Maintenance: Continue maintaining Car park assets within current operational and maintenance budgets

COUNCIL'S INFRASTRUCTURE ASSETS ARE VALUED AT OVER \$1 BILLION. COUNCIL SPENDS \$44 MILLION ON INFRASTRUCTURE ASSETS EACH YEAR.

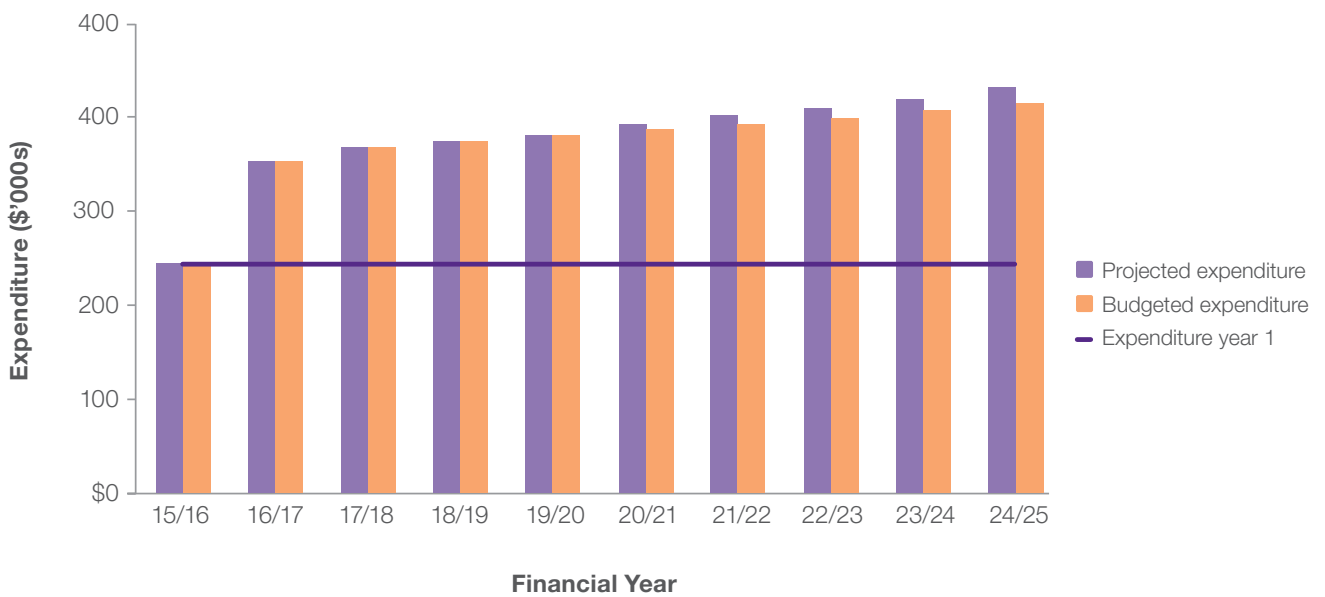
The table below shows the lifecycle budget expenditure for the carpark assets in the 2015-19 program of works. See page 25 for further explanation.

Lifecycle Expenditure \$'000	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget
Operations	\$87	\$192	\$198	\$203
Maintenance	\$15	\$15	\$16	\$16
Capital Renewal	\$140	\$145	\$155	\$155
Capital Upgrade	-	-	-	-
Total	\$242	\$352	\$369	\$374

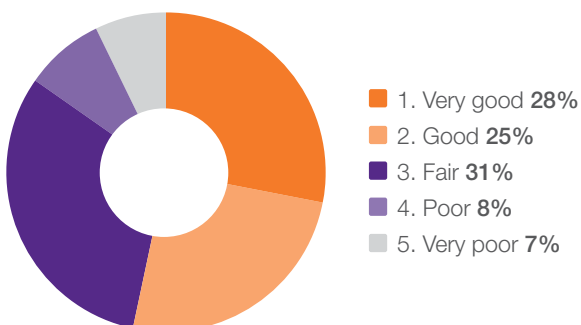
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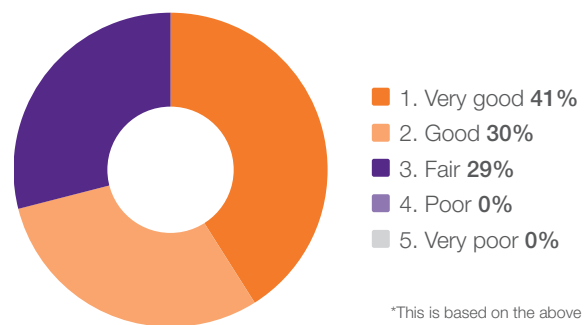
10 year renewal resourcing strategy



Current condition



10 year projected condition*



*This is based on the above 10 year resourcing strategy scenario 2.

PLAN SUMMARY: PROPERTIES

Council provides a property infrastructure network to facilitate Council's community and recreational services, its administrative & operational activities and its property investment portfolio.

Council's property infrastructure assets are valued at \$117.5 million and include;

- Administration Buildings
- Aquatic Centres
- Child Care Centres
- Community Centres
- Community Halls
- Coptic Church
- Early Childhood Centres
- Investment Properties
- Libraries
- Old Marrickville Hospital site
- Operational Facilities
- Recreation Buildings & Facilities
- SES Building
- Town Halls

Issues

Delivery projects 2015–19 listed in the 2015/16 capital budget

Key Category: Buildings **Value:** \$117.5m

Structural integrity, property damage due to fire or electrical fault, Asbestos, injury to people and property, building disposal planning, changes to building standards, lifecycle costs considerations such as maintenance and operational cost increases associated with new buildings

Building Structural Repairs: Property Buildings Condition Audit Rectifications

Building Renewals: Petersham Administration Centre Building

Building Upgrades: Various Community Facilities as part of the Local Infrastructure Renewal Scheme (LIRS), Energy Efficiency Projects, including ECO*STAR and the Local Government Energy Efficiency Program (LGEEP)

Building New: New Dulwich Hill Library, Childcare Centre at Steel Park, Concept planning for Marrickville Old Hospital Site redevelopment

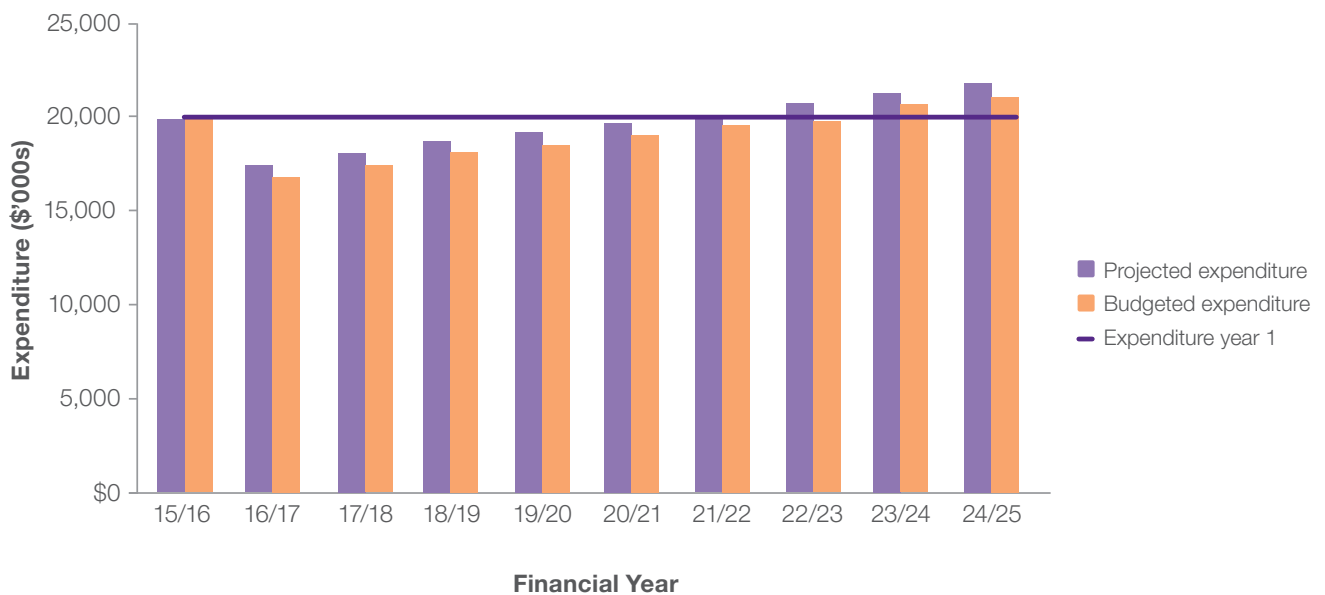
The table below shows the lifecycle budget expenditure for the property assets in the 2015-19 program of works. See page 25 for further explanation.

Lifecycle Expenditure \$'000	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget
Operations	\$11,111	\$12,312	\$12,665	\$13,010
Maintenance	\$2,919	\$3,611	\$3,704	\$3,798
Capital Renewal	\$2,015	\$837	\$1,039	\$1,293
Capital Upgrade	\$4,555	\$750	\$1,000	-
Total	\$20,600	\$17,510	\$18,408	\$18,101

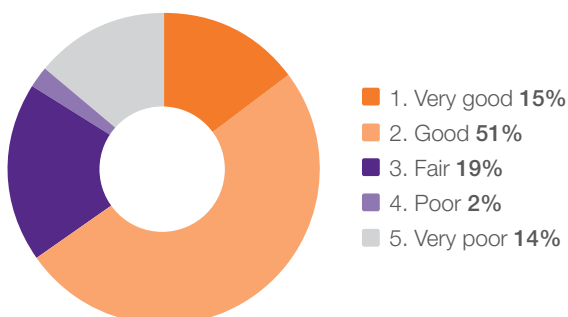
Asset Management Plans compare the lifecycle projected expenditure required to provide services compared with planned expenditure currently included in the Long Term Financial Plan. The graph below shows the projected expenditure in purple, budgeted expenditure in orange and year 1 expenditure is the strong purple line.

The estimated effect of this strategy on condition is shown in the pie charts below. This resourcing strategy aims to maintain the existing quality of assets and eliminate all condition 5 very poor assets to align with the community levels of service set by the Marrickville Infrastructure Jury.

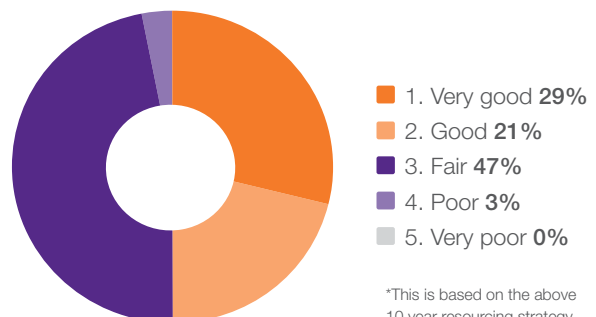
10 year renewal resourcing strategy



Current condition



10 year projected condition*



*This is based on the above 10 year resourcing strategy scenario 2.





Marrickville Council

E-BUSINESS PROGRAM OVERVIEW

Attachment 15

Contents

1	Executive Summary.....	3
2	Introduction	4
2.1	Document Purpose	4
2.2	Intended Audience.....	4
2.2.1	Internal.....	4
2.3	Program Background	4
2.4	Business Objectives.....	4
2.5	Expected Benefits	4
2.6	Stakeholders	5
2.6.1	Direct Stakeholders.....	5
2.6.2	Indirect Stakeholders	8
2.7	Related Projects	8
3	Scope.....	8
3.1	In Scope.....	8
3.2	Out of Scope.....	9
4	Year 1 Projects - External Forms	10
4.1	TechnologyOne Projects	10
4.1.1	BPOINT Payment Gateway Integration with Technology One	10
4.1.2	Direct Debit for Council Rates - Application Form	11
4.1.3	Change of Postal Address – Application Form	11
4.1.4	Parking Permits	11
4.1.5	Planning S149 (2) and S149 (5) Certificate - Application Form.....	11
4.1.6	Outstanding Property Rates S603 Certificate - Application Form	12
4.1.7	Approval to Prune or Remove a Tree/s - Application Form.....	12
4.1.8	DA Applications Online	12
4.2	Zipporah Projects	13
4.2.1	Booking System Integration with Other Council Systems	13
4.2.2	Generic Bookings	13
4.3	Other Vendors.....	14
4.3.1	Early/Middle Childhood Waiting List Application Form.....	14
4.3.2	Electronic Rates Notices and Payment	14
5	Year 2-5 Projects - External Forms.....	14
5.1	TechnologyOne Projects	14

5.1.1	Archives and Council Records - Informal Access - Application Form.....	14
5.1.2	Refund Application Form	15
5.1.3	Request for Outstanding Orders - Application Form	15
5.1.4	Rates Discount for Pensioners - Application Form	15
5.1.5	Occupation Certificate - Application Form	15
5.1.6	Hoarding and Footpath Occupation Permit - Application Form.....	15
5.1.7	Road Opening Permit - Application Form	16
5.1.8	Request for Driveway Approval (Step 1).....	16
5.1.9	Application for Construction of Vehicle Crossing and Civil Works (Step 2).....	16
5.2	Other Vendors.....	16
5.2.1	Companion Animals Register - Application Forms.....	16
6	Internal Forms.....	17
6.1	Existing Systems.....	17
6.1.1	Blink Forms.....	17
6.1.2	SPOT (SharePoint 2013)	17
6.2	Prioritisation.....	17
7	Revision Log	18
8	Appendix	19
8.1	Appendix A - External Application Forms Volumes Summary (2013-14)	19
8.2	Appendix B - Internal Forms List	20
8.3	Appendix C - Projects Completed Prior to e-Business Launch.....	23
8.3.1	Community Facilities and Parks Booking Enquiry Form.....	23
8.3.2	Street Party Applications	23
8.3.3	School Use of Sporting Fields Application Form	23

1 Executive Summary

Marrickville Council currently receives and processes over 25000 application forms from customers each year. These applications are received by the Customer Experience team either over the front counter, through e-mail, via fax or by post. 100% of these applications are currently processed manually by the Customer Experience team and other teams in Council. This can involve setting up the application in one of Council's core systems, taking payment, issuing receipt to customers and, where required, then forwarding the application on to various sections across council for further action.

With the exception of application for venue, parks and sportsground bookings, launched on-line since December 2014, no process exists for customers to register their application, make payment and be issued a receipt for these applications.

The lack of an online application process has resulted in a poor customer experience, increased workload for Council staff and avoidable delays in the processing of applications and payments.

Marrickville's Community Strategic Plan "Our Place Our Vision 2023" highlights one of its key outcomes as "council has friendly, responsive, accurate and accessible customer service" and the currently lack of an effective online channel for customer service is resulting in council remaining inaccessible for a growing section of the community.

Marrickville Council's Resourcing Strategy, in particular the ICT Plan, adopted in June 2014 identified on-line and electronic solutions one of its four key themes with the core objective of this theme being the "design of end-end business solutions to improve the way in which the community interacts with Council and the manner in which staff access and process information"

In late 2014, Marrickville Council's Executive Leadership team identified and committed to the acceleration of Marrickville's e-Business program as one of its six strategic priorities or 2015/16 and this e-Business program overview outlines how this will be achieved.

2 Introduction

2.1 Document Purpose

This document outlines the e-Business Program for Marrickville Council.

2.2 Intended Audience

2.2.1 Internal

This document is intended for the Executive Leadership Team, the ICT Steering Committee and other key stakeholders at Marrickville Council.

2.3 Program Background

In the past, Marrickville Council has worked on projects aimed at providing some electronic solution to a manual process. However, with these projects there has generally been minimal accountability (resulting in project delays), lack of consultation and a lack of streamlining the end-to-end process, thus only addressing part of the problem. As such, the e-Business Program has been created to address the problems of prior projects, while holding all electronic business projects under a single banner with clear lines for accountability. The e-Business Program has a 5-year vision to deliver a complete online transactional experience for both customers and staff.

Currently, Marrickville Council's primary online presence is through our booking system for venues, parks and sportsgrounds (launched in December 2014), as well as a Merit e-form for reporting issues/requesting services via Council's website. Through the e-Business Program, it is proposed that Marrickville Council would have an online internal and external presence which supports all forms and processes that are outlined as in-scope items in this document.

2.4 Business Objectives

- Deliver all online forms and processes summarised in this document by the end of 2020
- Create a one-stop-portal for as many online forms and processes as possible
- By the end of the program, have 75% of all applications submitted and completed online where the online functionality exists. Below is a yearly percentage breakdown for online transactions expected:
 - 15% for year 1
 - 25% for year 2
 - 50% for year 3
 - 65% for year 4
 - 75% for year 5
- Streamline internal business processes by reducing manual effort (measured by project)

2.5 Expected Benefits

- Benefits from a QBL perspective:
 - Environmental
 - Reduce internal paper consumption by
 - Reduced physical storage
 - Financial
 - Reduction of cost per transaction

- Reduced manual effort and multiple handling of applications by various groups e.g. Customer Experience, Records, Finance, department processing request (where applicable)
- Social
 - Providing customers a more convenient (24/7) choice of channel
 - Improved customer experience
- Governance
 - Overall process efficiency (for both customers and Council staff)
 - Integration with our Records Management System
 - Improved customer turnaround times on applications

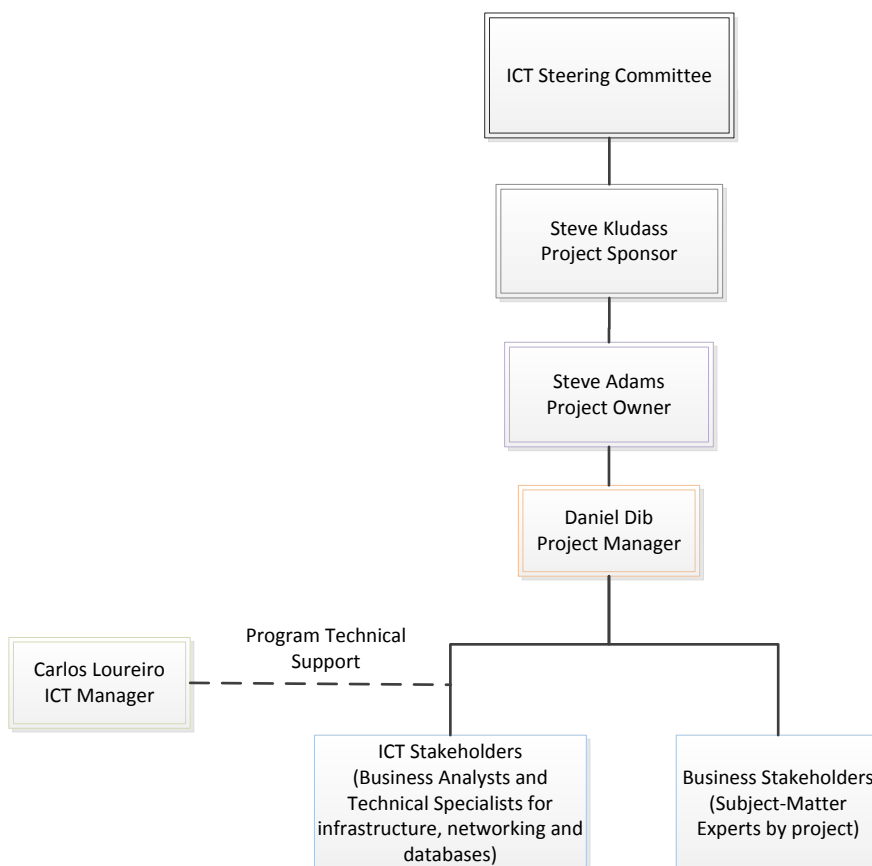
2.6 Stakeholders

Stakeholders are the individuals or groups who have a vested interest in the e-Business Program and whose interests need to be considered throughout it. Below is a list of stakeholders for the e-Business Program for Marrickville Council. It should be noted that projects deriving from the e-Business Program will have their own unique set of stakeholders.

2.6.1 Direct Stakeholders

2.6.1.1 Internal

The individuals below will help drive all the internal decisions for the e-Business Program in terms of project priorities, timeframes and scope (from a business and technical perspective).



An explanation of the Program's roles and responsibilities (as per the Project Management framework endorsed by the ICT Steering Committee) has been included below:

ICT Steering Committee:

The ICT Steering Committee drives the major ICT project decisions in order to achieve the agreed outcomes. The Steering Committee is comprised key stakeholders required to effectively carry out the following responsibilities:

- Guide, direct and review the Program from a strategic perspective
- Monitor progress against the project plan, in particular the achievement of important milestones and project deliverables
- Assist in resolving major project-related issues or risks
- Assist in resolving inter- and intra-organisational conflicts within the project
- Escalate to the ELT if unable to resolve a major project-related issue, conflict or risk

Project Sponsor:

The Project Sponsor ensures funds are provided for the project and that the project delivers business benefits. The Project Sponsor also 'champions' the project, promoting its importance and benefits to the Executive and Councillors. The Project Sponsor's responsibilities are to:

- Sign off on the Business Case Proposal and the Project Brief for each project within the Program
- Ensure the project has identifiable, measurable and realistic goals that accord with the Council's Community Strategic Plan and ICT Strategy
- Positively champion the project rationale, benefits and progress to the target audience, Executive/Councillors (as required) and stakeholders
- Ensure the Project Manager has the necessary resources to meet commitments under the project plan (including team members, prioritised time, budget, etc.)
- Approve the project scope and any major scope changes
- Monitor the project goals, scope, cost and timing and approve high level changes
- Review the achievement of important milestones and project deliverables
- Manage and resolve escalated project-related issues and risks (including stakeholder issues)
- Organise Steering Committee meetings where required

Project Owner:

The Project Owner assumes ultimate responsibility for the success of the project. The Project Owner's responsibilities are to:

- Assist in creating the Business Case Proposal
- Be a key decision maker (for major decisions)
- Provide approval to proceed through project phases
- Work within the set project tolerances of cost, money, scope, quality
- Monitor the progress against plan through project status reports provided by the Project Manager
- Ensure the project meets expected goals
- Ensure the project gives value for money
- Ensure appropriate cross-Council representation

Project Manager:

The Project Manager manages all stages of the project and coordinates the work of the Business Analyst and Project Team. The Project Manager's prime responsibility is to ensure that the project produces the required products in accordance with the performance goals of time, cost, quality, scope, risk and benefits.

The Project Manager's specific responsibilities include:

- Creation of the Project Brief (or Program Overview)
 - The Project Brief is used to provide a full and firm foundation for the initiation of the project - scope, objectives, constraints, assumptions, benefits, issues, risks, as well as the project scale, structure, roles and responsibilities
- Creation and management of the project plan
- Management of the budget
- Manage delivery of the project by monitoring progress against the plan
- Provide project status reports to the Project Team
- Manage changes to the project scope
- Manage, motivate and resource the Project Team
- Manage the quality of deliverables
- Communicate and consult with stakeholders and the Project Team
- Resolve issues and risks, or ensure they are escalated to the Project Owner and/or Project Sponsor (where applicable)
- Ensure the project meets objectives
- Manage contracts and vendors, as the principal contact, where applicable
- Schedule a Post Implementation Review at a date/time agreed to by the Project Sponsor, Project Owner and Project Team.

Business Analyst:

The Business Analyst acts as a liaison among teams in order to understand their structure, processes, challenges and requirements. They should strive to seek improvements and efficiencies for the team/s where feasible. The responsibilities of the Business Analyst include:

- Creation of the Business Case (in conjunction with the Project Owner)
 - The Business Case provides justification for deciding on whether or not to proceed with a project. During the course of the project, the Business Case can be used to judge whether the project remains desirable, viable and achievable, and therefore worthwhile investing in. Note that this can be in the form of a formal document or an email
- Detailed requirements gathering
- Development of a Requirements/Functional Specification document
- Investigation of solutions
- Recommendation of a solution (in conjunction with the internal team/s involved)
- Creation of a test plan (combined system test plan and user acceptance plan), in conjunction with the technical specialists and business subject-matter experts
- Execution of the test plan in conjunction with the internal team/s involved

- Evaluation of the implemented solution against the initial expectations – e.g. through a satisfaction survey

Program Technical Support:

The Program Technical Support role is there to assist with any resourcing and escalation required from an ICT perspective. The Program Technical Support's responsibilities are to:

- Assist the Project Manager with technical resourcing requirements (where applicable)
- Assist the Project Manager with escalations with technical vendors (where required)

2.6.1.2 External

Marrickville Council is keen on extending their relationship with the vendors below through the e-Business Program.

- TechnologyOne - Property & Rating, Financials
 - Andrew Cutler - Account Manager
 - Phil Feltscheer - Product Customer Service Manager, Property & Rating
- Zipporah Booking System
 - Scott Burton - Technical Director

Other providers may be considered as part of this Program.

2.6.2 Indirect Stakeholders

The e-Business Program will affect various departments within Council. The business requirements gathering exercise for each project will determine that project's stakeholders and the extent to which departments are affected by the project. Process efficiency will be a major factor to the effectiveness of these solutions and needs to be considered for each project.

Customers of Marrickville Council will also be indirectly affected by this Program through the projects that derive from it. As solution end-users for these projects, all e-Business forms and processes will need to be developed with the customer in mind. Hence, Customer Experience will help drive decisions around the aesthetics and usability of solutions derived from this Program.

2.7 Related Projects

There are related projects that have been completed prior to the launch of the e-Business Program but require follow-up activities. Any follow-up activities for these projects will be managed as part of the Program. [Appendix C](#) lists all related projects.

3 Scope

3.1 In Scope

Delivery of all electronic forms and processes listed in sections 4, 5, 6 and 8.2 of this document (summarised below):

- Internal Forms (to be prioritised)
- External Forms

- Electronic Rates Notices and Payment
- Parking Permits
- Planning Certificate (S149 [2][5])
- Informal Access
- Outstanding Property Rates Certificate (S603)
- Change of Postal Address for Rates Notices
- Early/Middle Childhood Waiting List
- Refund
- Companion Animals Register
- Request for Outstanding Orders
- Rates Discount for Pensioners
- Prune or Remove Tree/s
- RSVP
- Occupation Certificate
- Request for Pre-Development Advice
- Building Inspection
- Hoarding and Footpath Occupation Permit
- Road Opening Permit
- Request for Driveway Approval (Step 1)
- Application for Construction of Vehicle Crossing and Civil Works (Step 2)
- DA Applications Online
- Community Facilities Booking Enquiry
- Parks Hire Booking
- Direct Debit for Council Rates

3.2 Out of Scope

- The following forms have been de-scoped from this Program either due to alternative processes being in place or in progress, or due to the small quantity of forms processed per year:
 - External Forms
 - Activity Applications
 - Building Certificate
 - Combined Development Application and Construction Certificate
 - Complying Development Certificate
 - Construction Certificate
 - Crane Permit
 - Development Research Request
 - Filming Notification
 - Final/Interim and Annual/Supplementary Fire Safety Certificate
 - Food Business Notification
 - Footway Licence/Footway Licence for A-Frames and Goods Displayed on Footpaths
 - Formal Access
 - Hold a Street Stall or Market

- Notice of Commencement of Building Work or Subdivision Work and Appointment of a Principal Certifying Authority
- S82 Review Requests
- S95A Extend a Development Consent
- S96 Modifications
- SKIP Bin Applications

4 Year 1 Projects - External Forms

The projects below have been prioritised to be delivered in the first year of the Program due to the volume of transactions and expected benefits:

- Parking Permit - Application Form
- Early/Middle Childhood Waiting List - Application Form
- Planning S149 (2) and 149(5) Certificate - Application Form
- Outstanding Property rates S603 Certificate - Application Form
- Approval to Prune or Remove a Tree/s - Application Form
- DA Applications Online Submission
- Electronic Rates Notices and Payment
- Change of Postal Address
- Direct Debit Request for Council Rates

TechnologyOne has been provided with an external copy of this document, which included a listing of all TechnologyOne projects. Marrickville Council are currently liaising with TechnologyOne regarding these projects.

Zipporah has been working on projects with Marrickville Council that have since been placed under the e-Business Program. This will also apply to future Zipporah projects.

Please refer to [Appendix A](#) for a tabular summary of all in-scope external forms and their 2013-14 volumes.

4.1 TechnologyOne Projects

4.1.1 BPOINT Payment Gateway Integration with Technology One

Council's Technology One environment currently integrates with SecurePay. For ease of processing and consistency with other systems that accept payment, BPOINT integration with Technology One is required.

This integration was not performed previously as Technology One did not integrate with the BPOINT system. In early 2015, Technology One identified that they can now integrate with BPOINT, which is why it is planned to be delivered as part of the e-Business Program.

The main business objective for the BPOINT integration with Technology One is a single portal for all online payments, regardless of Council system used.

4.1.2 Direct Debit for Council Rates - Application Form

On Council's website, it is stated that Direct Debit is "only for existing Direct Debit agreements already in place". Council would like to move forward and encourage Direct Debit as a payment method. In order to do this, a secure e-form is required to both capture the required payment details for Direct Debit and automatically process the request in TechnologyOne Financials.

The main business objective for the Direct Debit application form is to provide a portal for customers to opt-in for payment of rates via Direct Debit.

4.1.3 Change of Postal Address – Application Form

Rate payers in the Local Government Authority who have changed their billing/postal address need to notify Council of this change. Currently, they can do this over the phone, by email or online using the form on the [Change Billing Address page](#). However, this online form is based on a generic requests module and does not interface with TechnologyOne.

As such, Council would like to have a TechnologyOne-based e-form to handle changes to the addresses of rate payers.

The main business objective for the Change of Address application form is to provide a purpose-built, easy-to-use portal for customers wishing to change their billing/postal address.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Change of Postal Address Forms handled by Council was approximately 1480.

4.1.4 Parking Permits

The Online Parking Permit Applications project is part of ICT's Action Plan for FY2014-15 and is part of a wider project that is aimed at increasing Marrickville Council's online presence for customer interaction.

To-date, there is no pure online functionality for Parking Permits. There is currently a [page on Marrickville Council's website](#) that provides links to the various PDF application forms and area maps for Parking Permits. Parking Permit applications currently rely on a manual submission of the relevant form. Marrickville Council would like this enhanced so that Parking Permit applications can be submitted and processed by the customer online, while improving the internal end-to-end processing required.

The FY2013-14 volume of Parking Permits applications handled by Council was approximately 2814 and is expected to rise to 4265 in the next year.

The main business objectives for Online Parking Permit Applications project are to provide convenience to customers, as well as to achieve internal process efficiencies.

4.1.5 Planning S149 (2) and S149 (5) Certificate - Application Form

The Planning S149 (2) and S149 (5) certificates provide information on the zoning of the land, which includes planning controls and other property issues that affect it.

Customers currently submit requests for a S149 certificate in person or via email. A fee is charged according to the urgency of the certificate as well as the type of S149 certificate (part 2 or part 5).

The current hardcopy form is available [here](#).

The FY2013-14 volume of S149 certificate applications handled by Council was approximately 2386.

The main business objective for the Planning S149 Certificate Online Application Form is to streamline the application process and reduce manual effort.

Work on this project is already underway and this solution is scheduled to be implemented by mid-2015.

4.1.6 Outstanding Property Rates S603 Certificate - Application Form

The S603 certificate details the outstanding property rates and is useful when transferring ownership of land, as it allows the rates to be paid at the time of settlement. A fee is charged according to the urgency of the certificate.

The current hardcopy form is available [here](#).

The FY2013-14 volume of S603 certificate applications handled by Council was approximately 1895.

The main business objective for the S603 Certificate Online Application Form is to streamline the application process and reduce manual effort.

Work on this project is already underway and this solution is scheduled to be implemented by mid-2015.

4.1.7 Approval to Prune or Remove a Tree/s - Application Form

Customers can apply for a permit to prune or remove a tree within their private land. This is also extended to people who have obtained written consent of the owner of the property in which the tree/s are planted. An administration fee is charged that covers an application for up to 10 trees on the one lot.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Prune/Removal of Tree Applications handled by Council was approximately 328.

The main business objective for the Approval to Prune or Remove a Tree/s Online Application Form is to reduce manual handling and effort.

4.1.8 DA Applications Online

As of 1 January 2015, Council has moved to an electronic submission of Development Approval applications via USB (physically submitted to Council). As a follow up project, Council will enable DA applications to be submitted online.

Work on this project is already underway and a solution is scheduled to be implemented by the end of 2015.

4.2 Zipporah Projects

4.2.1 Booking System Integration with Other Council Systems

The Zipporah Booking System integration with TechnologyOne Finance and the bPoint payment gateway have already been delivered. Remaining integrations include:

- TRIM - ability to create TRIM records where required
- AssetMaster -
- Mapping (GIS) - work to be included in the Clean-ups module so that the public can see where to place their waste material. This may also extended to customers being able to selecting a park/venue from a map for booking

4.2.2 Generic Bookings

The Generic Bookings module of Zipporah will initially be used to book building inspections, pre-DA meetings and RSVP for Council events. It has the potential to cater for other types of appointment bookings. During the course of the e-Business Program, research will be conducted to identify other booking types that can be applied to this module.

4.2.2.1 Request for Building Inspection - Application Form

Building approvals in NSW are by way of obtaining either a Construction Certificate (CDC) or Complying Development Certificate (CDC).

Customers currently complete a Building Inspection application form, which gets processed and sent to a Building Surveyor in Council to undertake the inspection. Whilst on site, the Building Surveyor writes on the form any defects that need to be rectified. A copy of this completed form is given to the applicant on site and a copy is retained on councils file.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Building Inspection applications handled by Council was approximately 600.

4.2.2.2 Request for Pre Development Advice - Application Form

This form allows customers to request for advice prior to submitting a Development Application to Council.

A copy of the hardcopy form is available [here](#).

The FY2013-14 volume of Requests for Pre Development Advice handled by Council was approximately 149.

4.2.2.3 RSVP Form

This is a form that customers can easily complete to RSVP for Council events, workshops and activities. There is currently no hardcopy form.

The FY2013-14 volume of RSVP Applications handled by Council was approximately 324.

4.3 Other Vendors

4.3.1 Early/Middle Childhood Waiting List Application Form

The Early/Middle Childhood Waiting List Application process is currently a very manual one. A customer can print the form from Marrickville Council's website, complete it then submit it (with payment) to Council by mail, fax or in person.

The form can go through one or two teams before reaching the Administration Coordinator for the Children and Family Services team. Upon receiving the form, the Administration Coordinator needs to manually enter data from the form into the Child Care Management System (at the time this document was written, Star Care is the system for Marrickville Council).

The current hardcopy form is available [here](#).

The FY2013-14 volume of combined Early and Middle Childhood Waiting List applications handled by Council was approximately 830.

The main business objectives for the Early/Middle Childhood Waiting List Application project are to reduce manual handling and data entry.

4.3.2 Electronic Rates Notices and Payment

Customers currently receive their rates notices as a hardcopy through a printing house (Forms Express). There is an option for customers to opt-in for their rates to be emailed to them, as well as an option to opt-in to bPay View for viewing and payment of rates. However, Council would like a more robust and efficient solution.

Marrickville Council currently has approximately 34,000 properties whose owners are required to pay rates.

The main business objectives for Electronic Rates notices are to reduce costs, environmental sustainability and a simple (electronic) process for rate payment.

5 Year 2-5 Projects - External Forms

The projects below are to be prioritised for years 2-5 of the Program, due to either lower transactional volume, project complexity or the ability to leverage from functionality delivered in year 1 of the Program. The business benefit of each project below is to reduce manual handling and effort for both Council staff and customers. Please refer to [Appendix A](#) for a tabular summary of forms and volumes.

5.1 TechnologyOne Projects

The projects below have been listed in order of volume (descending).

5.1.1 Archives and Council Records - Informal Access - Application Form

Under the GIPA Act, Council can release other information in response to an informal request.

Council may impose conditions of the release of such information. There is no charge for making an informal request for information. Council's Publication Guide lists the type of Council information that is available for informal release.

The application may require supporting documentation to be provided.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Informal Access Applications handled by Council was approximately 1940.

5.1.2 Refund Application Form

Certain payments (e.g. building fees) can be refunded if the reason is deemed relevant.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Refund Applications handled by Council was approximately 667.

5.1.3 Request for Outstanding Orders - Application Form

This certificate lists any notices, proposed orders and orders that have not yet been complied with for a particular property. There is a fee associated with the request.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Outstanding Orders forms handled by Council was approximately 540.

5.1.4 Rates Discount for Pensioners - Application Form

This form is for customers wishing to apply for a pensioner concession for their rates.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Rate Discount for Pensioners Applications handled by Council was approximately 400.

5.1.5 Occupation Certificate - Application Form

Marrickville Council, as the principal certifying authority under Section 109E, can certify that a newly-developed property can be occupied. Council can issue a final certificate or an interim certificate. The application will require supporting documentation to be provided.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Occupation Certificate Applications handled by Council was approximately 150.

5.1.6 Hoarding and Footpath Occupation Permit - Application Form

This form is for businesses considering hoarding, barricading or scaffolding on Council's footpath. There is an application fee and potentially a monthly fee per square metre per month used.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Hoarding and Footpath Occupation Permit Applications handled by Council was approximately 148.

5.1.7 Road Opening Permit - Application Form

This form is for licensed contractors (not property owners) wishing to apply for a road opening permit under section 138 of the Roads Act. If a full road/lane closure is required, 3 months' notice is required for approval, otherwise 10 working days is required.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Road Opening Permits handled by Council was approximately 132.

5.1.8 Request for Driveway Approval (Step 1)

Customers wishing to construct a driveway will need to complete this form. It contains a checklist based on the State Environmental and Planning Policy 2008 Exempt and Complying Development Codes 2008. The checklist will help determine whether a Development Assessment is required.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Request for Driveway Applications handled by Council was approximately 118.

There is potential for streamlining the application process by connecting this form to the Application for Construction of Vehicle Crossing and Civil Works (Step 2) - listed below.

5.1.9 Application for Construction of Vehicle Crossing and Civil Works (Step 2)

This form is for customers to complete before commencing the construction of a driveway crossing, kerb/gutter and/or footpath. There are fees associated with this application.

The current hardcopy form is available [here](#).

The FY2013-14 volume of Construction of Vehicle Crossing and Civil Works Applications handled by Council was approximately 118.

There is potential for streamlining the application process by connecting this form to the Application for Construction of Vehicle Crossing and Civil Works (Step 1) - listed above.

5.2 Other Vendors

5.2.1 Companion Animals Register - Application Forms

Customers of the Office of Local Government NSW that reside within the Marrickville LGA are required to register their companion animals. Customers can either complete application forms in person or download the relevant form from the NSW Companion Animal Forms page. The forms that can be completed include:

- Permanent Identification (P1A)
- Change of ownership/details (C3A)
- Change of Address (C3C)
- Verification of Existing Microchip (M1)
- Lifetime Registration (R2)

There is a fee for the application, as well as a verification process that is performed by the Companion Animals Officer prior to them entering the data into the Companion Animals Register.

The current hardcopy forms are available [here](#).

The FY2013-14 volume of Companion Animals forms handled by Council was approximately 616.

On 17 March 2015, the Office of Local Government accepted Marrickville Council's request to be a stakeholder in their Companion Animal Register Rebuild Project, which has an approximate 18 month timeframe. As a result of this project, it is expected that the application process is streamlined and reduced manual effort and errors in the application.

6 Internal Forms

As part of the e-Business Program, there is scope for internal forms and processes to be made electronic to achieve internal efficiencies.

6.1 Existing Systems

Marrickville Council can use its existing systems to create internal electronic forms. Below is the suggested strategy for these systems.

6.1.1 Blink Forms

The Blink platform (delivered by Acresta) is ideal for a mobile workplace. It is built for use as an iPhone/iPad app, though is accessible on any computer or smartphone via a web browser. A variety of field types can be added to Blink forms, including a camera/photo field and a GPS location field. It has a workflow module that can be used to handle forms that require an approval process. It will also eventually have an SQL module that will allow for Marrickville Council to create reports based on completed forms.

The Blink platform is being used to create the following e-forms:

- SAFE - Workplace Inspection Checklist - launched
- SAFE - Mobile Workplace Inspection Checklist - work in progress
- SAFE - Notification and Investigation - work in progress
- SAFE - Environmental Risk Assessment - work in progress

6.1.2 SPOT (SharePoint 2013)

The upcoming SharePoint 2013-based intranet (SPOT) can handle the creation of basic electronic forms. It includes a workflow module that allows for tasks to be created and assigned to staff upon completion of the form.

The SPOT platform has been used to create the following e-forms:

- SPOT requests/feedback - will launch when SPOT is launched on 20/04/2014
- Advertisement Booking form - will launch when SPOT is launched on 20/04/2014

6.2 Prioritisation

The full list of internal forms in scope for the e-Business Program can be found in [Appendix B](#). Forms will initially be prioritised by their ability to achieve quick-wins by making the form/process electronic. At the later stages of the Program, more complex forms will be reviewed and prioritised by benefits to be gained.

7 Revision Log

Version	Date Revised	Revised By
0.1	06/02/2015 (original)	Daniel Dib
0.2	20-23/02/2015	Daniel Dib
0.3	02/03/2015	Daniel Dib
0.4	23/03/2015	Daniel Dib
0.5	27/05/2015	Daniel Dib
0.6	08/05/2015	Daniel Dib
0.7	18/05/2015	Daniel Dib
0.8	28/05/2015	Daniel Dib
0.9	29/05/2015	Daniel Dib
1.0	01/06/2015	Daniel Dib

8 Appendix

8.1 Appendix A - External Application Forms Volumes Summary (2013-14)

Listed in order of 2013-14 volume (descending).

Form	2013-14 Volume	Vendor Considered for e-Form
Electronic Rates Notices and Payment	34,000	Forms Express
Parking Permits	2814*	TechnologyOne
Planning Certificate (S149 [2][5])	2386	TechnologyOne
Informal Access	1940	TechnologyOne
Outstanding Property Rates Certificate (S603)	1895	TechnologyOne
Change of Postal Address for Rates Notices	1480	TechnologyOne
Early/Middle Childhood Waiting List	830	Star Care
Refund	667	TechnologyOne
Companion Animals Register	616	Office of Local Government
Request for Outstanding Orders	540	TechnologyOne
Rates Discount for Pensioners	400	TechnologyOne
Prune or Remove Tree/s	328	TechnologyOne
RSVP	324	Zipporah
Occupation Certificate	150	TechnologyOne
Request for Pre-Development Advice	149	Zipporah
Building Inspection	600	Zipporah
Hoarding and Footpath Occupation Permit	148	TechnologyOne
Road Opening Permit	132	TechnologyOne
Request for Driveway Approval (Step 1)	118	TechnologyOne
Application for Construction of Vehicle Crossing and Civil Works (Step 2)	118	TechnologyOne
DA Applications Online	N/A	TechnologyOne
Community Facilities Booking Enquiry	Approx. 1700 (Dec 2014 - Mar 2015)	Zipporah (completed)
Parks Hire Booking	Approx. 3500 (Dec	Zipporah (completed)

	2014 - Mar 2015)	
School use of Sporting Fields	N/A	Zipporah (completed)
Direct Debit for Council Rates	N/A	TechnologyOne

*Expected volume of Parking Permit Applications is set to increase to 4500 in FY2014-15 and 5300 in FY2015-16

8.2 Appendix B - Internal Forms List

Listed in alphabetical order.

Form (includes hyperlink)	Description	2013-14 Volume
Access to D Drive	Complete to gain access to the D:\Permanent folder	
Accounts Payable EFT Form	Direct Credit / Electronic Funds Transfer	8162
Application to Attend Conference/Seminar – Travel and Expenses	Used to seek prior approval to travel on Council business which involves an overnight stay away from home	
Archive Transfer Form	To transfer folders from Admin to Depot	
Authorisation of Financial Delegation for Leave Form	Fill out for authorisation of delegation	45
Authorisation to Recruit	Used to apply for authorisation to fill a vacant position	
Banking of RDO	Used to bank an untaken RDO for urgent or future use	3120 (combined with leave forms)
Claim for Attending Conference/Seminar – Travel and Expenses	Used to claim for travel and expenses on Council business	
Claim for Carer Expenses Incurred Whilst Attending to Council Business	For Councillors to claim carer expenses incurred whilst attending to Council business	
Claim for Expenses Incurred on Council Business	For Councillors to claim other expenses incurred whilst attending to Council business	
Confidentiality and Conflict of Interest document	To declare confidentiality and no conflict of interest in relation to the tender process	
Council Event Information Sheet	Fill out to inform Customer Experience and Corporate Development of a Council event	

Councillor Public Profile Form	For Councillors to detail their public profile	
Councillor Request for Information	For Councillors to request for information necessary for their civic duty	
Councillor Request for Transcript	For Councillors to request for a transcript	
Councillor's Disclosure of Non Pecuniary Conflict of Interest	For Councillors to disclose a non-monetary conflict of interest	
Declaration of a Conflict of Interest	Details issues surrounding a conflict of interest	
Declaration of Gifts and Benefits Form	Fill out when you have received a gift, benefit or free meal from an external party	
Direct Bank Deduction Authority	Used to authorise bank deductions from pay	156
Direct Bank Payroll Authority	Used to authorise a bank account to have pay deposited into	
Disciplinary Report	Fill out when any instance of a warning will be given to an employee	
Disposal of Fixed Assets	Notify Finance of the disposal of an asset	96 for Vehicles.
Drivers and Plant Operators Licence Verification Form	To verify a driver's/plan operator's licence	
Exit Interview Questionnaire	To provide reason for leaving, an indication of level of satisfaction with various aspects of Council, as well as suggestions for improvement	
External Training	Application form to attend an external training program	120
Higher Grade Duties Application	Used to apply for higher grade duties	780
Information Systems Access	Used for new employees to set up their login and access to Council's systems	
Mileage Claim	Used to claim monies from business-related use of a private car	
New Councillor Starting Form	Used to obtain details from new Councillors	
New Creditor Application Form	Use when a creditor has not yet been set up for E-Requisitioning system	
Notice of Motion to Rescind Council / Committee Resolution	For Councillors to rescind a Council/Committee Resolution	
Notice of Resignation and Termination	To provide notice of intention to resign	50
Notification of Grievance Form	To provide details of a recent grievance and remedy being sought	
Overseas Usage - Mobile Phone Form	Application for approval to use Council-paid mobile phone whilst overseas	
Overtime Application	Used to claim monies for working overtime	
Petty Cash Form / Petty Cash Reimbursement Record	Complete to claim monies spent on work-related expenses	

Probationary Period Review Form	Used to assess the skill, performance and conduct of a Marrickville Council employee in their first three months of employment	
Quotation Schedule (formerly called J Form)	To be completed for quotations, and to record written and verbal quotations	
Receipt Acknowledgement of Issues to Councillors	For Councillors to acknowledge receipt of items	
Recruitment and Selection Guidelines	Contains copies of forms to be filled out by applicants	
Recruitment Report	Used to recommend an applicant for a position at Marrickville Council	
Referee Check Form	Used to apply for authorisation to fill a vacant position	
Remote Access Authority Form	Complete to request remote access to Council systems	
Request for approval to undertake other business or employment	Used to apply for permission to work a job outside of Council	
Request for the Mayor's attendance at events	To request for the mayor's attendance at functions and events	
SAFE Form – Mobile WIC	Used to conduct mobile workplace inspections	
SAFE Form – Notification & Investigation	Used for the identification and investigation of accidents, incidents, near misses, dangerous occurrences or injuries	
SAFE Form – Risk Assessment	Used to identify risks in order to prevent accidents, incidents, injuries, near misses and dangerous occurrences from occurring in the workplace	
SAFE Form – Workplace Inspection Checklist (Completed)	Used to conduct workplace inspections	
Salary Sacrifice Election Form	Used for motor vehicle leasebacks, child care or additional superannuation	
Security Clearance Application Form	Fill out for new staff to obtain a security tag	
StateCover Workers Compensation Claim Forms	Used for staff to make a claim for workers compensation	
Studies Assistance Application Form	Complete to apply for financial assistance with work-related studies.	30
Studies Assistance Reimbursement Form	Used to claim Council-approved study costs	90
Sundry Creditors Payment Requisition Form	Fill out and deliver to Finance to make payment via EFT/cheque to sundry creditors	1642
Tax invoice requisition	Complete this form to have Finance create an tax invoice	
Travel Assistance Application Form	To provide authority to Marrickville Council to deduct from weekly pay to cater for the cost of annual travel	

8.3 Appendix C - Projects Completed Prior to e-Business Launch

Below is a list of e-Business related projects that were completed prior to the launch of the e-Business Program.

8.3.1 Community Facilities and Parks Booking Enquiry Form

Zipporah removes the need for a Booking Enquiry Form. It offers a self-service 24 x 7 Sportsground and Hall/Meeting room booking system including payment at time of booking. Since its launch in December 2014, at least 1700 hall/room bookings and 3500 parks bookings have been made using the system.

8.3.2 Street Party Applications

Marrickville Council handles requests from residents wishing to host a Street Party. They request this through the Street Party application that was created in Zipporah as an electronic form. Council can provide free BBQs and in some instances, road closures and public liability insurance. This is a free service. Any documentation to support the application is uploaded as part of the process.

Since its launch in October 2013, Council has processed around 40 Street Party applications using the system.

8.3.3 School Use of Sporting Fields Application Form

Zipporah's online booking system provides removes the need for a paper-based Booking Enquiry Form. Since January 2015, schools wishing to book sporting fields have been booking them through Zipporah (either on a recurring or casual basis). No charges apply during school hours.

The current hardcopy form is available [here](#).



Marrickville Council

LONG TERM FINANCIAL PLAN

Attachment 16

EXECUTIVE SUMMARY

Marrickville Council has long operated from a position of financial stability and has used the Integrated Planning and Reporting (IPR) Framework to drive the long term financial sustainability and ensure Council is fit for the future as a stand alone entity. Councils across NSW have been engaged collaboratively to facilitate the Fit For The Future initiative (conducted by the NSW State Government) which proposes amalgamations of Councils throughout NSW based on scale and capacity, financial sustainability efficiency and effectiveness of service delivery and asset management. This iteration of the Long Term Financial Plan (LTFP) has incorporated the Fit For The Future financial Key Performance Indicators (KPI's) along with statutory Annual Reporting KPI's . The overall objective of this LTFP is to ensure that Council is Fit for the Future whilst achieving Council's Community Strategic Plan. The integrated planning approach requires that Council provide an understanding of its longer term financial position.

This LTFP sets out two scenarios that each, at the very least, maintain current service levels and establish a balanced budget. In summary:

Scenario 1 addresses all infrastructure asset costs including:

- asset renewal
- operating costs
- maintenance
- capital upgrades
- new capital projects.

Scenario 2 addresses infrastructure asset costs including:

- asset renewal
- operating costs
- maintenance.

Council will need to carefully manage its funds to sustain its operations over the coming years. Council is continually reviewing its efficiency and reinvesting efficiency gains back into the community. It is acknowledged there are challenges that will need to be monitored, particularly in the area of capital works and infrastructure management, but Council is actively working on meeting those challenges and ensuring that service levels are at the very least maintained or, if possible, improved.

The purpose of community led engagement recently undertaken by Council was to identify the desired infrastructure assets servicing, the demand for new assets and capital projects and the potential means of funding those demands. The engagement was designed to build awareness and understanding within the community about the asset challenge. From this process, this LTFP has been prepared using assumptions which are clearly outlined in the document. However, as with all things, the future factors which might affect Council's financial position

are uncertain. Long held assumptions will not always prevail. However, long term plans such as this are useful as a guidance tool to help identify financial issues in advance, and enable a strategy or plan to be developed to deal with them.

Contents

- 1. Introduction 3**
 - 1.1 Overview 3
 - 1.2 Objectives 3
 - 1.3 Integrated Planning and Reporting Context 5
 - 1.4 Financial Planning Context 6
 - 1.4.1 Reserves 6**
 - 1.4.2 Loan Borrowings 7**
 - 1.5 Structure 9
 - 1.5.1 Overview of Structure 9**
- 2. Global Variables and Assumptions 10**
 - 2.1 Operating Revenue Drivers 10
 - 2.2 Operating Revenue Sensitivity Analysis 13
 - 2.3 Capital Revenue Drivers 14
 - 2.4 Capital Revenue Sensitivity Analysis 14
 - 2.4 Operating Expenditure Drivers 15
 - 2.5 Operating Expenditure Sensitivity Analysis 17
 - 2.6 Capital Expenditure Drivers 18
 - 2.7 Capital Expenditure Sensitivity Analysis 21
 - 2.8 Non Financial Assumptions 21
- 3. Scenario 1: Asset Management Infrastructure renewal Shortfall and New Capital Projects 23**
 - 3.1 Scenario 1 Assumptions 25
 - 3.2 Scenario 1 Sensitivity Analysis 26
 - 3.3 Scenario 1 Financial Projections 27
- 4. Scenario 2 33**
 - 4.1 Scenario 2 Overview 33
 - 4.2 Scenario 2 Context 33
 - 4.3 Scenario 2 Financial Projections 34
- 5. Performance Monitoring 40**
 - 5.1 Operating Performance Ratio 40
 - 5.2 Own Source Operating Revenue 40
 - 5.3 Unrestricted Current Ratio 40
 - 5.4 Debt Services Cover Ratio 40

5.5 Rates and Annual Charges Outstanding 40

5.6 Cash Expense Cover Ratio 40

5.7 Building and Infrastructure Ratio 41

5.8 Infrastructure Backlog Ratio 41

5.9 Asset Maintenance Ratio 41

5.10 Capital Expenditure Ratio 41

5.11 Review of Long Term Financial Plan 43

1. INTRODUCTION

1.1 Overview

This LTFP is an integral part of the integrated planning and reporting framework at Marrickville Council. It is a key component of the Resourcing Strategy that supports the 10 year Community Strategic Plan (Our Place, Our Vision 2023), which was reviewed for adoption by Council in June 2013. Collectively, this suite of plans reflects the legislative requirements of the Local Government Act which aim to bring a more comprehensive and long term focus to the planning and management of local government assets and services in NSW.

The then Division of Local Government (DLG) released guidelines in support of this legislation, which state that a LTFP is intended to be “a decision-making and problem-solving tool”. It is not expected that the LTFP will set Council’s financial reality in stone for the succeeding decade but rather serve as a guide for future action. It will also provide an opportunity for Council “to identify financial issues at an earlier stage and gauge the effect of these issues in the longer term.”

1.2 Objectives

The objectives of Marrickville Council's LTFP are:

- to ensure Council is Fit for the Future in accordance with the financial indicators determined by the State Government by 2019/20.
- to respond to the changing aspirations and needs of Marrickville, particularly as they are identified and prioritised in the Community Strategic Plan (CSP) 2023
- to ensure the financial sustainability of Council's assets and services for the community of Marrickville
- to support the implementation of Council's Community Strategic Plan and Delivery Program as an integral component of Council's Resourcing Strategy
- to reflect the changing employment issues and costs disclosed in Council’s Workforce Plan
- to reflect the growing emphasis and reliance on technology as disclosed in Council’s Information and Communications Technology (ICT) Plan

- to address Council's legislative requirements for integrated planning and reporting.

1.3 Integrated Planning and Reporting Context

The Asset Management Plans (AMP's), LTFP, ICT Plan and Workforce Plan are collectively referred to as the 'Resourcing Strategy'. These documents explain how councils will contribute to achieving the objectives established by the Community Strategic Plan.

This planning context is known as the integrated planning and reporting framework (IPR) and is designed to:

- strengthen the strategic focus of councils
- ensure that council services, programs and actions are aligned to high level strategy
- improve the integration of planning and reporting processes (in particular, across the 'quadruple bottom line' of society/community, environment, economy and governance)
- streamline reporting processes and, thus, reduce duplication.

The IPR documents are intended to incorporate detailed cross references to each other and also to be integrated with other council planning mechanisms, including Local Environment Plans and Development Control Plans.

The CSP must identify and reflect the community's priorities and aspirations for the future. This means that rather than focus only on issues over which Council has a large degree of influence, the CSP must also include the wider and more complex aspirations of the community, even those which Council has little or no control.

It is therefore imperative that the remainder of the IPR framework, including the Long Term Financial Plan, both link to the Community Strategic Plan and be clear about the ways in which Council will contribute to achieving its vision.

The revised Marrickville CSP is structured around the following Key Result Areas (KRAs):

- KRA1: A diverse community that is socially just, educated, safe and healthy.
- KRA2: A creative and cultural Marrickville
- KRA3: A vibrant economy and well planned, sustainable urban environment and infrastructure.
- KRA4: An innovative, effective, consultative and representative Council

1.4 Financial Planning Context

1.4.1 Reserves

Council has a number of individual cash reserve holdings. Reserves broadly represent either monies that Council is required, by law, to hold separately to Council's own funds as they can only be spent for specified purposes or monies that Council has by resolution set aside for specified purposes.

Funds that are legislatively required to be kept separate include:

- Developer Contributions raised under the Environmental Planning and Assessment Act, 1979 which must be spent to fund community infrastructure in accordance with the development contribution plan under which they were collected. Public Domain Contributions which are made by developers are similarly held by Council.
- Domestic Waste Management funds are raised under the Local Government Act 1993 and can only be used to support waste collection, recycling and related activities. These generally represent funds set aside to replace the garbage, recycling or greenwaste bin fleet or truck fleet.
- A Stormwater Management Service Charge is raised annually by Council under the Local Government Act 1993. Funds that are not used in any one year must be held for use on authorised stormwater management and related activities.
- Grant funding provided for a specific purpose by the Commonwealth or State Government must be held by Council for that purpose.
- Special Rates raised by Council under the Local Government Act 1993 are held in reserves until spent for the purpose for which they were raised.
- Funds held on trust by Council either on behalf of other parties or under a Trust arrangement must be held separately to Council funds and only spent in accordance with the terms of the trust arrangement.

Funds that are set aside for specific purposes by Council include:

- Employee Leave Entitlements: Council sets aside cash to pay out liabilities for accrued employee annual and long service leave. Council's Workforce Plan (see page 15) has identified (given the age profile of Council's employees) that 43% of total leave liability may be paid out in the next few years and should be set aside for that purpose. This Reserve will be used to fund Council's Internal Loan Program with repayments made into the reserve over a 10 year period with interest.
- Plant, Technology and Vehicle replacement: Council has long term models in place to forecast the timing of heavy plant, motor vehicle and Information Technology hardware replacement. Funds are set aside annually to ensure cash is available for replacement.
- Election Reserve: Council is required to fund Local Government elections in the Marrickville Local Government Area every four years. Funds are set aside annually to meet this cost.

- Loan funds: Council raises loan funds annually to fund its capital program. Unspent funds are held in a Reserve to ensure those works are completed. Council currently funds these works from internal reserves. See section 1.4.2.
- Property Reserve: Council began to rationalise its property holdings in the mid 1990's. For instance, almost all housing stock has been sold and Council's four Depot sites have been sold and a single multi-purpose Depot purchased. Council has retained the proceeds of sales in a Property Reserve to fund future strategic property acquisitions including the Marrickville hospital site purchased from the State Government and soon to be re-developed. Council is in the process of commissioning an Integrated Property Strategy to provide strategic direction in regards to Council's current and future potential property holdings based on the demands of the community. The Integrated Property strategy will incorporate Council's Recreation Needs Study and Recreation Facility Study to plan the future of open space and recreation facilities. Finally, Council is currently undertaking a number of Major Projects including providing new multi-purpose children's facilities at Steel Park in Marrickville South. Council is also in the middle of an EOI process in regards to the development of the old Marrickville Hospital site. The proceeds of any property rationalisation arising from these projects will be included in this Reserve to fund future acquisitions as required. All of the above elements form part of Council's long term Property Strategy.
- Some other smaller reserves are created by Council from time to time to set aside funds for a specific purpose to be spent over a number of financial years.

1.4.2 Loan Borrowings

Council has traditionally borrowed funds from financial institutions (secured against its rates income) to fund a variety of capital works including local roads, footpaths, traffic facilities, bike facilities, drainage, streetscape enhancement and street lighting programs. With over \$50 million in its cash reserves, the policy to fund capital works from internal cash, which are repaid over a period of 10 years with a fixed interest rate, would see Council save over \$150,000 per annum once the existing loans have been repaid.

Council will only seek to borrow from a financial institution if there is a subsidised loan scheme such as the Local Infrastructure renewal Scheme (LIRS) or if its cash reserves are insufficient and there is a need to complete the project before sufficient cash can be generated to fund the project. An example of this was where Council borrowed \$10 million to build and refurbish its Aquatic Facilities. These borrowings will be repaid from rate income raised via a Special Rate Variation to Council's rate income of 3.5% per annum over the 15 year period during which the loans will be repaid. Put simply, the repayment of these loans is fully financed from future rate income set aside for that purpose.

Council has principal outstanding on its loan borrowings of \$18.55 million as at 30 June 2014, \$6.26 m of that amount is fully financed from the Aquatics Facilities Special Rate Variation. Council's Debt Service Cover ratio, which measures the availability of operating cash to service debt including interest and principal repayments, is forecast to start at 4.08 to 1 at the end of 2015/16. This is well above the DLG's benchmark of 2 to 1.

1.5 Structure

1.5.1 Overview of Structure

This LTFP is structured around two financial models or ‘scenarios’. The first, known as Scenario 1, provides an overview of existing funding gaps around asset management upgrade works and examines how Council might fund new, priority capital works. Scenario 2 is a base scenario and captures Council’s “Business as Usual” approach.

The LTFP details the assumptions used when compiling each scenario, as well as the financial outcomes over a ten year period. It also lists the major opportunities and risks associated with each scenario, to provide an analysis of the sensitivity of the modelling to a variety of changes.

The last section of the document contains some high level measures by which Council’s long term financial performance will be measured.

2. GLOBAL VARIABLES AND ASSUMPTIONS

Below is a list of variables and assumptions that are the drivers in predicting Council's revenue and expenditure forecasts over the 10 years for this iteration to the LTFP. These variables apply to each scenario of this LTFP unless explicitly stated in the particular scenario. Any references made to Consumer Price Index (CPI) will have an assumed rate of 3% per annum for both expenditure and income.

2.1 Operating Revenue Drivers

The following tables summarise the revenue drivers on which the LTFP has been modelled.

Operating Revenue Area	Assumption
General Rates	<p>Based on a rate cap of 2.4% per annum in 2015/16 and 3% from 2016/17 onwards.</p> <p>IPART have approved a special rates variation of 3% to be levied from 2015/16. This revenue is used to address the essential capital renewal needs and is factored into Council's rates base into perpetuity.</p> <p>A Rates Model has been developed to support the projections, which provides for the net growth of strata properties by 295 properties per annum.</p>
Special Variation to the General Rate – Aquatic Facilities	<p>Council adopted a variation to its General Rate for aquatic facilities that commenced in 2005/06. The variation is limited to 15 years and expires at the end of the 2019/20 financial year.</p> <p>The variation was introduced at 3.5% and is adjusted as per the rate cap each year. This revenue is used to service 2 loans drawn down to fund the up front construction of Council's aquatic facilities.</p>

Operating Revenue Area	Assumption
Voluntary Pensioner Rebates	<p>Council currently offers two voluntary pensioner rebates to eligible aged pensioners.</p> <p>The first rebate is a maximum amount of \$54.70 per household and is offset against an eligible pensioners Domestic Waste Management Charge. This pensioner rebate has a grandfathering provision and is only available to those who became pensioners prior to 1 July 2009.</p> <p>The second rebate is a maximum amount of \$25.50 per household and is offset against an eligible pensioners rates and annual charges. This pensioner rebate also has a grandfathering provision and will only be available to those who are valid pensioners as at 30 June 2015.</p>
Pensioner Rate Subsidy	<p>The Pensioner Rate Subsidy is set by the State Government at a maximum of \$250 per property per annum. This is a flat subsidy and does not increase annually.</p>
Domestic Waste Management Charge (DWMC) and related User Charges	<p>The DWMC is modelled over the life of the Plan to cover the cost of the provision of the services. The Local Government Act prohibits councils from either subsidising or receiving a profit from the DWMC. The methodology of applying corporate overheads to the domestic waste services has been reviewed and applied from 2015/16 onwards. The increase to the DWMC for 2015/16 is 2.5% to \$500. The increase of the DWMC from 2016/17 ranges from 3% up to 6%.</p>
Stormwater Management Service Charge	<p>This is a flat charge used to fund stormwater planning and infrastructure. The charge is set by the Local Government Act as associated Regulations as follows:</p> <p>\$25.00 per residential property per annum</p> <p>\$12.50 per strata unit per annum</p> <p>\$25.00 per 350m² per business property per annum.</p>
Fees	<p>Council generally increases its fees for services it provides to at least cover general movements in costs each year.</p> <p>Statutory fees have been increased accordance with advice given by the relevant statutory body whilst discretionary fees have been increased by 4%.</p>

Operating Revenue Area	Assumption
Interest on Investment	The interest which Council receives on its investments has been modelled and is reviewed annually. The model is linked to the projected level of reserves and forecast interest rates. As cash reserves are expected to reduce over time as Council completes its suite of Major Projects and pursues its Property Strategy, a modest and sustainable level of interest income currently supports ongoing operations. The balance each year is directed to reserves or supports one-off initiatives for the following financial year.
Interest on Overdue Rates	Council charges interest on overdue rates to the maximum allowed by the Minister for Local Government. The 2015/16 rate has been set at 8.5% per annum.
Other Revenues	This includes ex gratia rates payments, income from street furniture and credit card fees. It is assumed that these revenue sources will not increase and are indexed according to commercial agreements. All other discretionary revenue is indexed by 4%.
Rental/Lease Income	It is assumed that rental/lease income will increase at least by CPI, in line with provisions of current leases.
Fines	The dollar value of individual fines is determined by the State Government. The volume of fines is a product of the level of compliance with relevant laws and the level of enforcement activity. It is assumed that the total income received from fines will increase by CPI.
Operating Grants – General	It is assumed that total income from grants will increase by CPI dependant on the particular initiatives provided to Council by the State and Federal Government.
Financial Assistance Grants (FAG)	Council's Financial Assistance Grant has been forecast to decrease until 2016/17 financial year, after that year the grant will be steadily indexed. This is due to the combination of the Federal Government freezing the indexation of the FAG compounded by the relative growth of Marrickville's LGA in comparison to the growth of Western Sydney. This projection is in line with the methodology used by the NSW Grants Commission who determine the distribution of the FAG grant every year.
Roads and Maritime Services Block Grant	This is a State Government grant with an increase across the 10 years of 2%.
Street Lighting Subsidy	This is a State Government subsidy. It is assumed that this will increase by CPI.

Operating Revenue Area	Assumption
Library Subsidy	This subsidy is provided under the Library Regulation and is administered and set by the State Library of NSW. It is assumed that this will increase by CPI.
Department of Aging, Disability and Home Care (DADHC) Meals on Wheels Subsidy	<p>The current subsidy provided by DADHC for the provision of the Meals on Wheels service will be transitioned to Commonwealth Home Support Program from 1 July 2015. Without complete information regarding any changes it is assumed that this subsidy will increase at CPI.</p> <p>There is a potential that any decrease in subsidy will impact on affordability and therefore the number of clients of the service. This will be monitored to identify any potential risk to income.</p>
Disposal of Property	The Base Scenario assumes that no income from property sales will be received during the 10 years of the LTFP. Proceeds from sales including profits are transferred to Council's Property Reserve. (See paragraph 1.4.1)
Disposal of Plant	The Base Scenario assumes that plant will be sold at its written down cost during the 10 years of the LTFP. Proceeds from sales including profits are transferred to Council's Plant Replacement Reserve. (See paragraph 1.4.1)

2.2 Operating Revenue Sensitivity Analysis

Operating revenue assumptions will be sensitive to a variety of risks and opportunities, including the following:

- Future rate increases will be based on the Local Government Price Movements agreed to by the Independent Pricing and Regulatory Tribunal (IPART). This has an associated efficiency dividend. Historically, rate increases have not kept pace with increasing costs. Recent experience has shown that IPART will not adjust future rates increases where the predicted Local Government Price Movements have proved to be well under actual price movements. If this trend continues, this will cause significant financial difficulties for Marrickville and other councils.
- Rate increases provide only for a continuation of existing service levels. The changing demographics of the Marrickville community suggests that there may be demand for new or increased levels of services. These will not be able to be funded by ordinary IPART rate increases which are based on historic movements in costs only.
- The Pensioner Rate Subsidy is set at a maximum of \$250 per property and has not increased since 1993. This creates a greater burden on pensioners.
- The level of individual fines for traffic/parking offences is determined by the State Government.

- The Stormwater Management Charge is fixed and has not risen since its introduction in 2007/08.
- Interest rates have been highly volatile over the past 10 years but have stabilised at record lows rates during the past 24 months. It is forecast that interest rates will remain at record lows and increase after 3 years on the basis of a full economic recovery.
- Council’s rental income relates particularly to two sites in Tempe which are situated in a current Road Reserve. There is a risk that these sites may eventually be acquired by the State Government though recent announcements suggest the land will not be required for the West Connex project. The M6 motorway reservation remains in place. There is also a risk that the lessees of Council owned sites may default on their financial obligations.
- The current Federal Government has frozen indexation on the FAG from 2014/15 until 2016/17 (inclusive) on both components of the FAG grant. This may be extended.
- Hoarding fees and other Development Assessment income is dependent on the active development within the Marrickville LGA. These will continue to grow based on the release of Council’s revised LEP that allows greater density building within the LGA area.

2.3 Capital Revenue Drivers

The following tables summarises the capital revenue assumptions on which the Base Scenario has been modelled.

Base Scenario Capital Revenue Area	Assumption
Roads to Recovery Grant	This is a Federal Government grant which is used by Council to fund its lanes improvement program. It is assumed that this will increase by CPI.
Section 94 Developer Contributions	The funding which Council receives from Section 94 developer contributions is reviewed annually. The funding is linked to the projected level of development. All funds are held in a s94 reserve for release to finance projects included in Council’s s94 plan as a response to increased population growth in the LGA.

2.4 Capital Revenue Sensitivity Analysis

Capital revenue assumptions will be sensitive to a variety of risks and opportunities, including the following:

- The Federal budget has a focus on infrastructure renewal initiatives that may impact Council positively. These initiatives have yet to be legislated and hence have not been incorporated into this iteration of the LTFFP.
- The Roads to Recovery grants were only introduced relatively recently. The grant has a 4 year life cycle and the Federal Government has announced that it will remain intact until the 2018 budget with no view of reducing the funding pool (nationally) at this point in time. This situation could alter.
- Council does receive capital grants other than for Roads to Recovery. However, these grants are tied to specific projects and are non recurrent. As the receipt of other capital grants is difficult to predict, they are not included in the model.

2.4 Operating Expenditure Drivers

The following table summarises the operating expenditure assumptions on which the Base Scenario has been modelled.

Operational Expenditure Area	Assumptions
Wages and Salaries	The current award was negotiated in 2014 with the following agreed annual increases of 2.7% for 2015/16, and 2.8% for 2016/17. An annual increase in salaries from 2017/18 of 3% has been assumed.
Superannuation	<p>It is assumed that superannuation costs will be 9.5% from 2014/15 of salaries for staff entitled to Superannuation Guarantee Contributions. The proposed increase to 10% scheduled in 2018/19 and will increasing progressively to 12.0% in 2022/23 has been deferred by the federal government.</p> <p>It is assumed that superannuation costs for members of the Defined Benefits Schemes will be paid in accordance with the current advice from the Trustees of the Scheme. Council has developed a model to predict its ongoing contributions toward the Defined Benefits Schemes. An additional payment to fund the current shortfall has been paid (\$585,000) to the scheme since 2008/09 which has been factor in until 2016/17 based on forward estimates. This is dependent on how the financial markets perform during the coming financial year.</p> <p>For more information on Council's strategies relating to superannuation, see page 10 of the Workforce Plan.</p>

Operational Expenditure Area	Assumptions
Workers Compensation	<p>Council's Workers Compensation premium has been set at \$1.18 million for 2015/16 and it is assumed that this will decrease to \$980k in 2018/19 and then increase annually in accordance with wages and salaries.</p> <p>For more information on Council's strategies relating to Occupational Health and Safety and Workers Compensation, see page 25 of the Workforce Plan.</p>
Training	<p>It is assumed that expenditure on training will increase by CPI.</p> <p>For more information on Council's strategies relating to training, see page 17 of the Workforce Plan.</p>
Maternity Leave	<p>It is assumed that expenditure on maternity leave will be \$126,000 in 2015/16 and will increase by Award increases.</p>
Long Service Leave	<p>Expenditure on Long Service Leave has been modelled and will increase by Award increases. The model is reviewed annually.</p>
Productivity Gain	<p>The Productivity Gain is an efficiency dividend that is absorbed during the financial year through efficiencies in unfilled vacant positions and efficient business practices that result in savings and economy of scales. The dividend is set at \$600,000 for 2015/16 and reduced to \$400,000 per annum thereafter.</p>
Materials and Contracts	<p>Components of materials and contracts expenditure are reviewed individually and are generally increased by CPI.</p>
Disposal Costs	<p>The cost of waste disposal has been modelled and is reviewed annually. The removal of the carbon tax is reflected in a decrease in costs of 9.9% for 2015/16, costs then increase an average 7.0% per annum over 10 years.</p>
Oil and Fuel	<p>It is assumed that oil and fuel costs will increase by CPI per annum over 10 years.</p>
Street Lighting	<p>It is assumed that street lighting costs will increase by CPI.</p>
Electricity	<p>It is assumed that electricity costs will increase by 3.54% per annum over 10 years.</p>
Gas	<p>There is some uncertainty of the impact of the State government's gas reservation policy and the financial impacts of this. It is assumed that gas costs will increase by 7.0% per annum over 10 years.</p>
Water	<p>It is assumed that water costs will increase by 18.15% per annum over 10 years.</p>

Operational Expenditure Area	Assumptions
Telephone and Mobile Phone	Due to an increased reliance on mobile technology it is assumed that fixed and mobile phone and data costs will increase by 5% per annum over 10 years.
Depreciation	Depreciation has been modelled in accordance with Council's Asset Management Plans – refer page 6 of the Asset Management Policy and Strategy.
Other Expenses	This includes Councillor fees, agency expenses, advertising, printing, memberships and donations. It is assumed that these expenses will increase by CPI.
State Government Levies	The State Government charges levies to councils contribute to a range of services. It is assumed that the levies will increase by the following amounts: <ul style="list-style-type: none"> • Fire Brigades incorporating a contribution for Emergency Services = increase of 4.0% per annum over 10 years. • Department of Planning = CPI • NSW Electoral Commission = 20% increase over 4 years • s88 waste charges = increase of 3.5% per annum over 10 years.
Insurance	It is assumed that insurance costs will increase by CPI over 10 years.

2.5 Operating Expenditure Sensitivity Analysis

Operating expenditure assumptions will be sensitive to a variety of risks and opportunities, including the following:

- The current industrial award was negotiated in 2014 with the following agreed annual increases, 2.7% for 2015/16 and 2.8% for 2016/17. An assumed annual rate of 3% has been used from 2017/18 onwards.
- Council is paying employer superannuation payments for current members of the Defined Benefits Schemes. In addition, it is making payments to top up Scheme Reserves for both current and past scheme members following the impact of the Global Financial Crisis. The model assumes the final 'top up' payments will cease in the 2016/17 financial year. The investment performance of these funds may extend or reduce that period.

- The 2014 Federal Budget proposed that Superannuation Guarantee Charge (SGC) will rise to 9.5% and indexation frozen until 2017/18 with the next increase proposed in 2018/19 to 10%. The SGC could reach a maximum of 12% in 2022/23. This proposal has not been legislated and not factored into this iteration of Council’s LTFP.
- Workers Compensation continues to decline. There is the risk that if claims are not managed prudently, that the premium may increase again.
- Landfill disposal charges and other levies charged by the State Government on the disposal of waste continue to rise at a level far greater than CPI.
- There is a possibility that street lighting costs may be reduced in future through prudent investments in new technologies. There is also a risk that street lighting costs may continue to escalate, as they have in recent years. Council has little control over these costs.
- Natural disasters and other unforeseeable events may impact to increase insurance premium levels.
- Councils have no control over the levies imposed by State Government, such as the Fire Brigade levy which also contains a contribution towards Emergency Services.

2.6 Capital Expenditure Drivers

Capital Expenditure Area	Assumptions
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Capital Expenditure Area	Assumptions
Information and Communication Technology - Hardware/Software Program	<p>Council currently externally leases the majority of its Information Technology Hardware over 3 year lease terms. Hardware that is expected to be retained beyond 3 years is purchased and an 'internal lease' established within the Operating Budget to transfer funds to an Information Technology Reserve to finance replacement. Soft costs associated with hardware and software upgrades are forecast and included in the relevant year within the Operating Budget.</p> <p>New infrastructure investments are assessed as part of the 'new program' evaluation process by the ICT Steering Committee and funded initially from revenue. The LTFP provides for the full cost of replacement of existing hardware and software but does not provide for new hardware and software other than in the base year, 2015/16, where this is known.</p> <p>Ongoing maintenance costs are considered as part of the evaluation process and included in the budget where required for both software and hardware.</p> <p>A detailed 1 year ICT action plan has been developed and can be found in the ICT plan.</p>
Garbage, Recycling and Greenwaste bin replacement	The next roll out of Mobile Garbage Bins is forecast to be in 2021/22.
Local Roads and Lanes Program	Council's investment in its Local Roads network has been set at \$1,989,400 in 2015/16 funded by Financial Assistance Grants, Roads to Recovery, Internal Loans, the Infrastructure Renewal Reserve and the Infrastructure Works Reserve.
Regional Roads Program	Council owns the Regional Road network. The RTA subsidises upkeep through grants. Council matches funding under the Regional Roads program using loan funds or other available funding sources. A total of \$580,000 is anticipated to be spent on Regional Road capital works throughout the 2015/16 financial year.
Footpath Program	Council investment in its Footpath Upgrade Program has been consolidated in 2015/16 by an ongoing commitment to the Connecting Marrickville Program (\$1.35m) with the balance of the program funded by Internal Loans. The program is adjusted for CPI for every year thereafter.
Heritage Footpath Program	Council has set its Heritage Footpath Construction Program to \$110K per annum funded by internal loans.
Bike Facilities Program	Internal loan funds and developer contributions are allocated to improve bike facilities to match capital grant funding from the NSW or Federal government or to fund direct works.

Capital Expenditure Area	Assumptions
Traffic Amenities Program	The Traffic amenities program is funded from s94 developer funds, internal loans or government grant funds to improve traffic amenities. Council accelerated its Traffic Amenities program from a core level of \$320K to \$1.4 million in 2014/15 and \$1.167m in the 2015/16 financial year. This program will reduce from 2016/17 as the 2014 Section 94 Contributions Plan has a reduced nexus on Traffic Amenities of which the majority of these works are funded by.
Local Area Traffic Management	Council funds local traffic calming studies from within its Operating Budget. A capital works program has been established funded from s94 developer contributions to implement the findings of these studies. This program will remain funded at a core level of \$600k per annum until funds are exhausted.
Drainage Program	Council has a well advanced program of Catchment Studies across the various sub-catchments within its boundaries. These are funded from the Stormwater Charge. Drainage capital works are funded from Loans. Additional capital works are funded from the Stormwater Charge in accordance with the Stormwater Plan.
Street Lighting Upgrades	Ownership of the street lighting network was transferred from Local Government to State Government control many years ago without compensation. It was subsequently corporatised and more recently privatised. Local Government has continued to be responsible for maintenance of the network and for the cost of electricity.
Street Litter Bins Replacement Program	\$50,000 is allocated per annum from revenue to replace street litter bins. Bin maintenance and waste removal is funded within the Operating Budget.
Parks Improvement Program	Park improvements are funded from s94 developer contributions and Federal or State grants only. Council is accelerating the Parks Improvement Program from \$8.3 million in 2015/16 to \$4.4 million in 2016/17, and approximately \$4.5m in both 2017/18 and 2018/19.

The Capital Program also incorporates expenditure on Council's 'Major Projects' as follows:

Project	Funding available in 2015/16
Child Care Centre at Steel Park	\$2.600m
Petersham Administrative Centre Building	\$200,000
New Dulwich Hill Library	\$1.000m
Marrickville Hospital Site	\$750,000

2.7 Capital Expenditure Sensitivity Analysis

Capital expenditure assumptions will be sensitive to a variety of risks and opportunities, including the following.

- Council has adopted a new Developer Contribution Plan. This will result in some opportunities for increased revenue to fund enhancement works on Council's open space in response to population increases. It will also result in a contraction of funding for other capital initiatives such as Local Area Traffic Management where a nexus couldn't be established between population growth and local traffic management. This has been factored into the current iteration of the LTFP.
- Council has prepared Asset Management Plans for each infrastructure asset class (see accompanying Asset Management Plans). As data is updated on the condition of these assets it is likely that further investment will be required to ensure roads, footpaths, drainage, bike networks, parks facilities, buildings and the like continue to be available for both the current and future generations living in Marrickville. Increasing investments to promote accessibility will also be needed as the Marrickville population ages. This will be planned to ensure an accessibility continuum between local roads, streetscapes and footpaths and transport infrastructure managed by State Government including trains, buses and light rail.

2.8 Non Financial Assumptions

Marrickville Council's adopted Community Strategic Plan provides an overview of the major issues impacting upon the local community. The data and analysis used to arrive at those issues also inform the preparation of this LTFP. The following is a summary of the non-financial assumptions associated with each of the major community issues.

- **The community is getting less diverse:** The proportion of Marrickville residents who were born overseas has decreased in recent years and it is expected that this trend will continue. The 2011 Census indicated there has been an increase in births in the local government area which may increase demand for children's services. It is also expected that the local population will generally continue to age and to gentrify, albeit with some specific geographic areas experiencing continuing disadvantage.
- **Housing is getting more expensive:** A large and growing proportion of Marrickville residents are in housing stress and it is assumed that this trend will continue for the foreseeable future. The cost of housing places increasing pressure on the area's social and community housing.
- **The types of jobs and businesses are changing:** Although job numbers in the Marrickville area have remained relatively stable in recent years, the types of jobs and businesses have changed significantly. This trend is expected to continue.

- **Land use planning is becoming more challenging:** Like other inner city areas, Marrickville has a high population density and a gentrifying community with increasing expectations regarding land use planning and urban design. It is assumed that these factors will continue, making land use planning and in particular any increases in the number of dwellings challenging. The LTFP assumes that the number of strata properties will grow by 295 properties per annum.
- **The accessibility of public transport still needs to be improved:** Although the Marrickville area is relatively well serviced by public transport, it is assumed that its accessibility, reliability and frequency will continue to require improvement.
- **Infrastructure is getting old:** Most of the infrastructure in the Marrickville area was built in the early to mid-twentieth century. Many types of infrastructure, including roads, footpaths, drains and public buildings, will require increasing maintenance and/or renewal in the coming years.
- **The community expects Marrickville Council to lead in partnership building and engagement:** In recent years, the list of services which the community believes are important for Council to provide has grown considerably. It is expected that this expectation will continue, along with an expectation for Council to work with a large range of other stakeholders to provide services and projects. As a result, it is assumed that Council will continue to maintain approximately 540 permanent staff.
- **The community is changing its relationship with the environment:** In recent years the Marrickville community has begun to change its relationship with the environment. Residents and businesses are more concerned about their use of water and energy and their emission of greenhouse gases. It is expected that Council will continue to be expected to provide community leadership in this area.

For more details on these issues and the non-financial assumptions on which this LTFP is based, refer to the Community Strategic Plan.

3. SCENARIO 1: ASSET MANAGEMENT INFRASTRUCTURE RENEWAL SHORTFALL AND NEW CAPITAL PROJECTS

Scenario 1 is predicated on:

- continuation of existing services at current service levels,
- new capital projects to meet needs arising from changing demographics, and
- infrastructure capital upgrades shortfall funding gaps based on Council's Asset Management Plans being filled.

Council began the process of rationalising its property portfolio in the mid 1990's. Council sold a substantial number of houses, predominantly to the State Government as public housing. Only one residential property is currently owned and leased by Council.

Council also sold its four Depot sites for residential development. The proceeds of these sales were held in a Property Reserve. A central Depot site was purchased at St Peters. Council also purchased the Marrickville hospital site on Marrickville Road in the 1990's with a view to re-developing it as a Library and Civic Centre.

Council recognised the need to plan strategically and to involve its community in that process well before the current Integrated Planning and Reporting Framework was developed for use in local government. It was a leader in involving its community in developing a Strategic Plan for Marrickville. As part of that process, Council acknowledged the need to plan and prioritise major property projects to ensure the right projects were completed at the right times, that decisions taken today had proper regard for Council's future ability to deliver other projects and to ensure Council could afford to undertake the projects.

Council embarked upon the delivery of a suite of Major Projects following the Tempe Tip remediation. These included:

Completed Projects

- Redevelopment of the Annette Kellerman Aquatic Centre.
- Establishment of a new Waterplay Park at Steel Park.
- Refurbishment of the Fanny Durack Aquatic Centre.
- Relocation of the State Emergency Service Headquarters.

Projects in the Pipeline

- Establishment of a new multi purpose Children's Centre at Steel Park.
- Establishment of a new Community Hub, Open Space and Library at the Marrickville Hospital site.
- Refurbishment of the Petersham Administration Centre.
- Development of the Old Marrickville Hospital site.
- New Dulwich Hill Library.

The development of the new State Emergency Service Headquarters has commenced and is anticipated to be completed as a part of the 2014/15 financial year. Plans are being developed for a new multi purpose Children's Centre at Steel Park with construction works anticipated to start in the 2015/16 financial year.

Funds have also been set aside to undertake some modest refurbishment at the Petersham Administrative Centre with work currently underway.

Two strategic research projects, the Facilities Needs and Recreation Needs Studies, have been adopted by Council and are currently being incorporated into an Integrated Property Strategy. The Integrated Property Strategy will identify the new capital buildings and provide direction on the proposed initiatives. The proposed outcomes will be and not limited to:

- improving parking management within the LGA and responding to changed needs for public car parking;
- ensuring Council's child care centres, libraries, recreational centres and other community buildings are appropriate and optimally located;
- divesting Council of small land holdings the proceeds from which could deliver better outcomes for the Marrickville community invested in other ways.

In addition to the continuation of existing revenue sources, Scenario 1 aims to demonstrate the effects of securing a Special Rate Variation (SRV) under Section 508(A) of the Local Government Act 1993 to fund Council's entire infrastructure shortfall to meet the needs of the community. It aims to be illustrative only, an option Council could pursue with the support of the Marrickville community. When specific plans are in place for the re-development of any of Council's current properties, Council will engage with the community to better understand the level of community support for this type of funding option if it were to be pursued.

This form of SRV allows for a multiple percentage increase over a specified period (no more than 7 years) that is greater than the rate peg for that year. While the percentage increase is set for fixed number of years, the increase will be imbedded into Council's rates base on a permanent basis to ensure the proposed service levels are maintained into perpetuity.

3.1 Scenario 1 Assumptions

Scenario 1 uses the global variables, with the following amendments:

Operating Revenue Area	Scenario 1 Assumption
Special Variation to the General Rate	<p>In Scenario 1, Council will seek a Special Variation to its General Rate to fund an Infrastructure Renewal shortfall and any new capital works driven by the Integrated Property Strategy in 2016/17. The rate variation will increase above the IPART approved increase until 2017/18. The rates will become a part of Council's rating base and continue into perpetuity. The proposed increases are as follows:</p> <p>2015/16 = 3% + 2.4% (approved IPART increase)</p> <p>2016/17 = 5% + 3% (assumed IPART level)</p> <p>2017/18 = 5% + 3% (assumed IPART level)</p> <p>2018/19 = 3% (assumed IPART level)</p> <p>2019/20 = 3% (assumed IPART level)</p> <p>2020/21 = 3% (assumed IPART level)</p> <p>2021/22 = 3% (assumed IPART level)</p> <p>2022/23 = 3% (assumed IPART level)</p> <p>2023/24 = 3% (assumed IPART level)</p> <p>2024/25 = 3% (assumed IPART level)</p>

Capital Expenditure Area	Scenario 1 Assumption
Capital Upgrade Works	
Town Centre Upgrades	\$750,000
Flood Mitigation	\$1,000,000
Car Park lighting upgrades	\$12,500
Community Facilities Renewal with upgrades to bring to current standards	\$292,000
Subtotal	\$2,054,500
New Capital Projects	
Kerb Ramps	\$120,000
Bicycle Plan	\$400,000
Integrated Property Strategy	\$1,500,000
Subtotal	\$2,020,000
Total	\$4,074,500

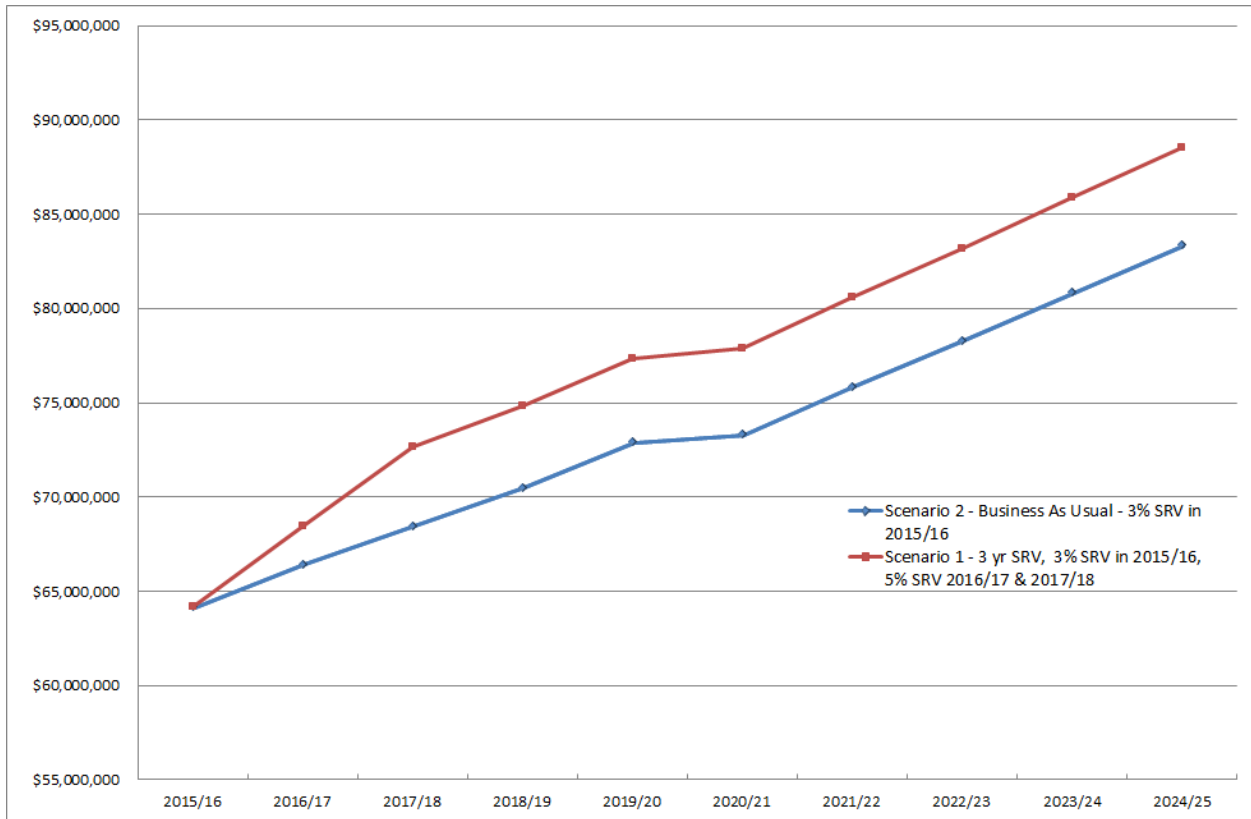
3.2 Scenario 1 Sensitivity Analysis

The assumptions on which Scenario 1 are predicated will be sensitive to a variety of risks and opportunities, including the following:

- Community engagement will provide a critical input to the service levels expected by the community and identify the priorities of the above table.
- Scenario 1 assumes that all capital works will be funded directly from the Special Rate variation with no requirements to borrow from a financial institution. If a large enough new capital project is identified as urgent, loan funds may be sourced and the SRV utilised to service that loan.

3.3 Scenario 1 Financial Projections

The following graph illustrates the impact on Council's rate revenue of a s508(A) rate increase in 2015/16. Rate income will increase above the expected IPART rate increase commencing in 2015/16 and will remain at a higher level into perpetuity.



Scenario 1- Marrickville Council -10 Year Income Statement Projection by KRA

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Income										
Rates & Annual Charges										
Diverse, Socially Just, Educated, Safe & Healthy	154,200	158,550	162,900	167,550	172,200	177,000	181,950	187,050	192,300	197,700
Vibrant Economy, Planned & Sustainable Urban Environment	17,798,963	18,346,220	18,830,198	19,332,469	19,910,150	20,312,592	20,719,914	21,670,768	22,277,563	22,804,033
Innovative Effective, Consultative and Representative Council	46,199,983	49,966,592	53,673,398	55,311,352	57,270,578	57,404,067	59,690,840	61,330,457	63,392,153	65,527,925
Rates & Annual Charges	64,153,146	68,471,362	72,666,496	74,811,371	77,352,928	77,893,659	80,592,704	83,188,275	85,862,016	88,529,658
User Fees & Charges										
Diverse, Socially Just, Educated, Safe & Healthy	11,634,637	13,015,995	13,389,091	13,773,465	14,187,242	14,625,829	15,124,098	15,523,982	15,967,017	16,416,192
Creative and Cultural Marrickville	48,947	50,329	51,733	53,162	54,661	56,183	57,755	59,374	61,098	62,741
Vibrant Economy, Planned & Sustainable Urban Environment	4,425,545	4,547,927	4,674,204	4,794,568	4,923,567	5,051,672	5,187,989	5,324,176	5,469,138	5,609,238
Innovative Effective, Consultative and Representative Council	199,841	205,828	212,054	218,308	225,694	235,210	241,864	249,655	256,807	255,176
User Fees & Charges	16,308,970	17,820,079	18,327,082	18,839,503	19,391,164	19,968,894	20,611,706	21,157,187	21,754,060	22,343,347
Interest Income										
Innovative Effective, Consultative and Representative Council	2,676,296	3,055,824	3,335,752	3,367,744	3,399,736	3,432,760	3,467,266	3,547,418	3,647,015	3,747,576
Interest Income	2,676,296	3,055,824	3,335,752	3,367,744	3,399,736	3,432,760	3,467,266	3,547,418	3,647,015	3,747,576
Other Income										
Diverse, Socially Just, Educated, Safe & Healthy	1,506,514	1,548,819	1,591,406	1,636,377	1,681,834	1,728,572	1,776,915	1,826,729	1,878,192	1,930,118
Creative and Cultural Marrickville	35,300	36,140	37,010	37,880	38,810	39,740	40,814	41,922	43,108	44,396
Vibrant Economy, Planned & Sustainable Urban Environment	6,525,858	6,796,969	6,989,162	7,181,409	7,390,805	7,605,262	7,826,187	8,078,232	8,331,473	8,599,127
Innovative Effective, Consultative and Representative Council	4,191,670	4,401,798	4,523,201	4,644,604	4,777,061	4,909,697	5,046,779	5,188,136	5,333,768	5,482,918
Other Income	12,259,342	12,783,726	13,140,779	13,500,270	13,888,510	14,283,271	14,690,695	15,135,019	15,586,541	16,056,559
Grants & Contribs - Operating										
Diverse, Socially Just, Educated, Safe & Healthy	1,674,036	1,772,540	1,821,480	1,871,677	1,923,859	1,976,862	2,031,607	2,088,022	2,146,544	2,160,998
Creative and Cultural Marrickville	11,168	11,481	11,800	12,130	12,470	12,820	13,204	13,601	14,009	14,316
Vibrant Economy, Planned & Sustainable Urban Environment	1,755,786	1,634,303	1,447,587	1,835,776	1,772,384	1,814,338	1,862,473	1,912,000	1,967,913	2,031,731
Innovative Effective, Consultative and Representative Council	2,988,538	2,832,461	2,564,798	2,423,173	2,485,618	2,549,936	2,616,234	2,684,522	2,754,856	2,827,058
Grants & Contribs - Operating	6,429,528	6,250,785	5,845,665	6,142,756	6,194,331	6,353,956	6,523,518	6,698,145	6,883,322	7,034,103
Grants & Contribs - Capital										
Vibrant Economy, Planned & Sustainable Urban Environment	2,365,291	1,102,266	1,135,600	1,163,300	996,277	679,146	696,377	714,415	732,848	752,729
Innovative Effective, Consultative and Representative Council	5,790,000	5,790,000	5,790,000	5,790,000	5,290,000	5,290,000	5,290,000	5,290,000	5,290,000	5,290,000
Grants & Contribs - Capital	8,155,291	6,892,266	6,925,600	6,953,300	6,286,277	5,969,146	5,986,377	6,004,415	6,022,848	6,042,729
Net Gain on Sales of Assets										
Innovative Effective Representative	10,100	9,600	19,400	22,100	9,300	6,800	10,400	2,200	11,600	7,711
Net Gain on Sales of Assets	10,100	9,600	19,400	22,100	9,300	6,800	10,400	2,200	11,600	7,711
Total Income from Continuing Operations	109,992,673	115,283,642	120,260,774	123,637,044	126,522,246	127,908,486	131,882,666	135,732,659	139,767,402	143,761,683

Scenario 1- Marrickville Council -10 Year Income Statement Projection by KRA

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Expenditure										
Employee Costs										
Diverse, Socially Just, Educated, Safe & Healthy	15,653,779	16,900,549	17,392,357	17,897,326	18,441,093	19,010,478	19,584,097	20,185,011	20,802,101	21,378,576
Creative and Cultural Marrickville	1,603,394	1,594,327	1,647,130	1,693,882	1,744,262	1,795,716	1,849,565	1,905,291	1,962,572	2,021,724
Vibrant Economy, Planned & Sustainable Urban Environment	24,680,562	25,339,722	26,016,965	26,613,856	27,422,443	28,269,480	29,121,513	30,014,827	30,932,215	31,860,244
Innovative Effective, Consultative and Representative Council	9,107,056	9,613,406	9,268,695	9,558,556	9,863,936	10,194,109	10,507,073	10,846,632	11,195,352	11,563,101
Employee Costs	51,044,791	53,448,004	54,325,147	55,763,620	57,471,734	59,269,783	61,062,248	62,951,761	64,892,240	66,823,645
Materials & Contracts										
Diverse, Socially Just, Educated, Safe & Healthy	3,143,612	3,103,813	3,155,565	3,240,658	3,329,021	3,419,453	3,513,692	3,610,802	3,710,938	3,744,204
Creative and Cultural Marrickville	699,007	714,258	734,238	754,254	775,600	796,980	819,124	841,956	865,479	889,991
Vibrant Economy, Planned & Sustainable Urban Environment	15,838,725	17,173,076	17,352,931	17,740,032	18,045,982	18,619,658	19,203,994	19,810,118	20,430,353	21,105,631
Innovative Effective, Consultative and Representative Council	5,667,973	5,149,633	5,164,285	5,344,449	5,450,424	5,732,148	5,754,405	5,957,013	6,075,158	6,406,896
Materials & Contracts	25,349,317	26,140,780	26,407,019	27,079,393	27,601,027	28,568,239	29,291,215	30,219,889	31,081,928	32,146,722
Borrowing Costs										
Innovative Effective Representative	991,213	834,987	616,512	433,399	269,984	111,125	34,253	9,346	-	-
Borrowing Costs	991,213	834,987	616,512	433,399	269,984	111,125	34,253	9,346	-	-
Other Expenses										
Diverse Socially Just Safe & Healthy	1,052,811	1,346,245	1,387,249	1,434,691	1,479,929	1,530,600	1,579,231	1,630,061	1,678,286	1,701,122
Creative Marrickville	131,550	135,050	138,675	142,300	146,175	150,050	154,050	158,175	162,425	166,800
Vibrant Economy Planned & Sustainable Environment	7,283,429	7,500,032	7,724,610	7,951,636	8,193,422	8,437,314	8,689,691	8,950,253	9,219,291	9,531,049
Innovative Effective Representative	4,570,749	5,282,082	4,925,392	5,077,793	5,255,679	6,047,194	5,628,296	5,825,616	6,030,765	6,951,763
Other Expenses	13,038,539	14,263,409	14,175,926	14,606,420	15,075,205	16,165,158	16,051,268	16,564,105	17,090,767	18,350,734
Depreciation										
Diverse Socially Just Safe & Healthy	788,254	788,254	788,254	788,254	788,254	788,254	788,254	788,254	788,254	788,254
Creative Marrickville	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832
Vibrant Economy Planned & Sustainable Environment	7,327,307	7,386,881	7,407,609	7,428,374	7,450,523	7,472,709	7,495,610	7,519,224	7,543,553	7,568,598
Innovative Effective Representative	853,066	893,816	895,048	896,318	897,626	898,972	900,359	901,788	903,259	904,775
Depreciation	8,972,459	9,072,783	9,094,743	9,116,778	9,140,234	9,163,767	9,188,055	9,213,097	9,238,898	9,265,459
Total Expenditure from Continuing Operations	99,396,319	103,759,963	104,619,347	106,999,610	109,558,184	113,278,072	115,627,039	118,958,198	122,303,833	126,586,560
Net Operating Result from Continuing Operations	10,596,354	11,523,679	15,641,427	16,637,433	16,964,061	14,630,413	16,255,627	16,774,461	17,463,569	17,175,123

Marrickville Council
10 Year Income Statement Projection
Scenario 1

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Income from Continuing Operations										
Rates & Annual Charges	64,153,146	68,471,362	72,666,496	74,811,371	77,352,928	77,893,659	80,592,704	83,188,275	85,862,016	88,529,658
User Fees & Charges	16,308,970	17,820,079	18,327,082	18,839,503	19,391,164	19,968,894	20,611,706	21,157,187	21,754,060	22,343,347
Interest Income	2,676,296	3,055,824	3,335,752	3,367,744	3,399,736	3,432,760	3,467,266	3,547,418	3,647,015	3,747,576
Other Income	12,259,342	12,783,726	13,140,779	13,500,270	13,888,510	14,283,271	14,690,695	15,135,019	15,586,541	16,056,559
Grants & Contribs - Operating	6,429,528	6,250,785	5,845,665	6,142,756	6,194,331	6,353,956	6,523,518	6,698,145	6,883,322	7,034,103
Grants & Contribs - Capital	8,155,291	6,892,266	6,925,600	6,953,300	6,286,277	5,969,146	5,986,377	6,004,415	6,022,848	6,042,729
Net Gain on Capital Sales	10,100	9,600	19,400	22,100	9,300	6,800	10,400	2,200	11,600	7,711
Total Income from Continuing Operations	109,992,673	115,283,642	120,260,774	123,637,044	126,522,246	127,908,486	131,882,666	135,732,659	139,767,402	143,761,683
Expenditure										
Employee Costs	51,044,791	53,448,004	54,325,147	55,763,620	57,471,734	59,269,783	61,062,248	62,951,761	64,892,240	66,823,645
Materials & Contracts	25,349,317	26,140,780	26,407,019	27,079,393	27,601,027	28,568,239	29,291,215	30,219,889	31,081,928	32,146,722
Borrowing costs	991,213	834,987	616,512	433,399	269,984	111,125	34,253	9,346	-	-
Other Expenses	13,038,539	14,263,409	14,175,926	14,606,420	15,075,205	16,165,158	16,051,268	16,564,105	17,090,767	18,350,734
Depreciation	8,972,459	9,072,783	9,094,743	9,116,778	9,140,234	9,163,767	9,188,055	9,213,097	9,238,898	9,265,459
Total Expenditure from Continuing Operations	99,396,319	103,759,963	104,619,347	106,999,610	109,558,184	113,278,072	115,627,039	118,958,198	122,303,833	126,586,560
Net Operating Result from Continuing Operations	10,596,354	11,523,679	15,641,427	16,637,433	16,964,061	14,630,413	16,255,627	16,774,461	17,463,569	17,175,123
Net Operating Result before Grants and Contributions provided for Capital Purposes	2,430,963	4,621,813	8,696,427	9,662,033	10,668,484	8,654,467	10,258,850	10,767,846	11,429,121	11,124,683

Marrickville Council
Scenario 1
Statement of Financial Position

	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25
Current Assets										
Cash & Cash Equivalents	13,140,307	13,534,517	13,940,552	14,358,769	14,789,532	15,233,218	15,690,214	16,160,921	16,645,748	17,145,121
Investments	26,969,139	27,778,213	28,611,559	29,469,906	30,354,003	31,264,624	32,202,562	33,168,639	34,163,698	35,188,609
Receivables	6,797,186	6,963,982	11,813,996	11,572,053	12,039,783	12,580,824	12,920,525	10,890,250	11,580,529	12,292,047
Inventories	237,356	238,543	239,735	240,934	242,139	243,349	244,566	245,789	247,018	248,253
Other	238,366	239,558	240,756	241,959	243,169	244,385	245,607	246,835	248,069	249,309
Total Current Assets	47,382,354	48,754,812	54,846,598	55,883,621	57,668,626	59,566,400	61,303,474	60,712,434	62,885,063	65,123,339
Non Current Assets										
Investments	22,501,880	18,108,912	14,011,718	15,411,253	20,258,925	19,975,909	26,255,685	32,282,079	38,297,895	28,957,522
Infrastructure Property Plant & Equipment	963,814,924	977,021,398	989,771,800	1,003,630,497	1,013,701,879	1,027,756,141	1,037,783,723	1,051,198,746	1,062,803,605	1,089,436,045
Investments accounted for using the equity method	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000
Total Non Current Assets	988,660,804	997,474,310	1,006,127,517	1,021,385,751	1,036,304,804	1,050,076,050	1,066,383,408	1,085,824,824	1,103,445,501	1,120,737,567
TOTAL ASSETS	1,036,043,158	1,046,229,122	1,060,974,116	1,077,269,372	1,093,973,430	1,109,642,450	1,127,686,883	1,146,537,258	1,166,330,563	1,185,860,906
Current Liabilities										
Payables	7,236,589	7,308,955	7,382,045	7,455,865	7,530,424	7,605,728	7,681,785	7,758,603	7,836,189	7,914,551
Borrowings	3,477,388	3,064,638	2,538,026	2,485,732	1,209,450	489,565	224,740	-	-	-
Provisions	12,806,800	12,934,868	13,064,217	13,194,859	13,326,807	13,460,076	13,594,676	13,730,623	13,867,929	14,006,609
Total 30 - Current Liabilities	23,520,777	23,308,461	22,984,288	23,136,456	22,066,681	21,555,369	21,501,202	21,489,226	21,704,119	21,921,160
Non Current Liabilities										
Borrowings	10,012,151	6,947,513	4,409,487	1,923,755	714,305	224,740	-	-	-	-
Provisions	1,160,874	1,172,483	1,184,207	1,196,049	1,208,010	1,220,090	1,232,291	1,244,614	1,257,060	1,269,631
Total Non Current Liabilities	11,173,025	8,119,996	5,593,694	3,119,804	1,922,315	1,444,830	1,232,291	1,244,614	1,257,060	1,269,631
TOTAL LIABILITIES	34,693,802	31,428,457	28,577,982	26,256,261	23,988,996	23,000,199	22,733,493	22,733,840	22,961,179	23,190,790
NET ASSETS	1,001,349,356	1,014,800,665	1,032,396,134	1,051,013,112	1,069,984,434	1,086,642,251	1,104,953,390	1,123,803,418	1,143,369,385	1,162,670,116
Equity										
Retained Earnings	581,776,534	593,300,213	608,941,640	625,579,073	642,543,134	657,173,548	673,429,175	690,203,636	707,667,205	724,842,328
Revaluation Reserve	419,572,822	421,500,452	423,454,495	425,434,038	427,441,299	429,468,703	431,524,215	433,599,783	435,702,180	437,827,787
Total Equity	1,001,349,356	1,014,800,665	1,032,396,134	1,051,013,111	1,069,984,434	1,086,642,251	1,104,953,390	1,123,803,418	1,143,369,385	1,162,670,115

Marrickville Council

Scenario 1

Statement of Cash Flows

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Cash Flows from Operating Activities										
Receipts										
Rates & Annual Charges	64,153,146	68,471,362	72,666,496	74,811,371	77,352,928	77,893,659	80,592,704	83,188,275	85,862,016	88,529,658
User Charges & Fees	16,308,970	17,820,079	18,327,082	18,839,503	19,391,164	19,968,894	20,611,706	21,157,187	21,754,060	22,343,347
Investment & Interest Income	2,676,296	3,055,824	3,335,752	3,367,744	3,399,736	3,432,760	3,467,266	3,547,418	3,647,015	3,747,576
Grants & Contributions	14,584,819	13,143,051	12,771,265	13,096,056	12,480,608	12,323,102	12,509,895	12,702,560	12,906,170	13,076,832
Other	12,259,342	12,783,726	13,140,779	13,500,270	13,888,510	14,283,271	14,690,695	15,135,019	15,586,541	16,056,559
Payments										
Employee Benefits & On-Costs	(51,044,791)	(53,448,004)	(54,325,147)	(55,763,620)	(57,471,734)	(59,269,783)	(61,062,248)	(62,951,761)	(64,892,240)	(66,823,645)
Materials & Contracts	(25,349,317)	(26,140,780)	(26,407,019)	(27,079,393)	(27,601,027)	(28,568,239)	(29,291,215)	(30,219,889)	(31,081,928)	(32,146,722)
Borrowing Costs	(991,213)	(834,987)	(616,512)	(433,399)	(269,984)	(111,125)	(34,253)	(9,346)	0	0
Other	(13,038,539)	(14,263,409)	(14,175,926)	(14,606,420)	(15,075,205)	(16,165,158)	(16,051,268)	(16,564,105)	(17,090,767)	(18,350,734)
Net Cash provided (or used in) Operating Activities	19,558,713	20,586,862	24,716,770	25,732,112	26,094,996	23,787,381	25,433,282	25,985,358	26,690,868	26,432,871
Cash Flows From Investing Activities										
Receipts										
Sale of Investment Securities	126,250,000	127,512,500	128,787,625	130,075,501	131,376,256	132,690,019	134,016,919	135,357,088	136,710,659	138,077,766
Sale of Real Estate Assets										
Sale of Infrastructure, Property Plant & Equipment	10,100	9,600	19,400	22,100	9,300	6,800	10,400	2,200	11,600	7,711
Payments										
Purchase of Investment Securities	(113,082,130)	(121,940,983)	(128,197,426)	(129,885,432)	(135,337,759)	(131,581,988)	(139,255,131)	(137,963,267)	(142,014,720)	(137,225,843)
Purchase of Infrastructure, Property, Plant & Equipment	(34,019,275)	(22,296,382)	(23,892,695)	(22,988,039)	(24,374,298)	(24,537,020)	(21,542,112)	(23,828,280)	(22,124,340)	(28,019,956)
Contributions paid to Joint Ventures & Associates										
Net cash provided (or used in) Investing Activities	(20,841,305)	(16,715,265)	(23,283,096)	(22,775,869)	(28,326,501)	(23,422,189)	(26,769,923)	(26,432,258)	(27,416,801)	(27,160,322)
Cash flows from Financing Activities										
Receipts										
Proceeds from Borrowing & Advances	2,525,300	-	-	-	-	-	-	-	-	-
Payments										
Payments of Borrowing & Advances	(3,391,858)	(3,477,388)	(3,064,638)	(2,538,026)	(2,485,732)	(1,209,450)	(489,565)	(224,740)	0	0
Net Cash Flow provided (or used in) Financing Activities	(866,558)	(3,477,388)	(3,064,638)	(2,538,026)	(2,485,732)	(1,209,450)	(489,565)	(224,740)	0	0
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,149,150)	394,209	(1,630,965)	418,217	(4,717,237)	(844,258)	(1,826,207)	(671,640)	(725,933)	(727,451)
Plus Cash & Cash Equivalents - beginning of year	12,757,580	13,140,307	13,534,517	13,940,552	14,358,769	14,789,532	15,233,218	15,690,214	16,160,921	16,645,748
Cash & Cash Equivalents - end of year	10,608,430	13,534,517	11,903,552	14,358,769	9,641,532	13,945,273	13,407,011	15,018,574	15,434,987	15,918,297
Plus Investments on hand - end of year	49,471,019	45,887,125	42,623,277	44,881,160	50,612,929	51,240,533	58,458,248	65,450,718	72,461,594	64,146,131
Total Cash & Cash Equivalents & Investments	60,079,449	59,421,641	54,526,829	59,239,928	60,254,460	65,185,806	71,865,259	80,469,292	87,896,581	80,064,428

4. SCENARIO 2 – BUSINESS AS USUAL INCORPORATING A IPART APPROVED SPECIAL RATE VARIATION

4.1 Scenario 2 Overview

Scenario 2 is predicated on:

- continuation of existing services at current service levels,
- continuation of existing levels of investment in infrastructure maintenance and renewal, and
- continuation of existing income sources.

This scenario also incorporates the following ‘major projects’:

- Establishment of a new multi-purpose Children’s Centre at Steel Park.
- Establishment of a new Community Hub, Open Space and Library at the Marrickville Hospital site.
- Refurbishment of the Petersham Administration Centre.
- Development of the Old Marrickville Hospital site.
- New Dulwich Hill Library.

4.2 Scenario 2 Context

Council recognised a number of years ago that it could not continue to provide the current levels of service it offered, let alone offer new services, without generating additional revenue, reducing its costs or both. Council has since grown some services with additional staff numbers and introduced others in response to community needs.

Council has received a determination from IPART to increase the rates for 2015/16 by 2.4% and an additional special rate variation of 3% has also been approved by IPART. The annual increase to be levied to fund the business as usual scenario will now be 5.4% for 2015/16. This, along with a number of internal efficiencies will see Council funds redirected to address its Infrastructure backlog and Infrastructure maintenance gap by the end of the 2019/20 financial year.

It is evident that while Council’s immediate and long term financial position is capable of delivering existing services at their current levels given current costs, an uncertain economic

environment and the changing nature of the Marrickville community will generate new or expanded needs for services and for associated funding.

Council's major income source, rates, is capped by the State Government and continues to grow at a slower pace than salaries, State government charges and other costs. In this environment, ongoing financial sustainability can only be achieved by further cost savings or income generation proposals or by shedding or reducing existing programs. Council has committed to an ongoing budget review process aimed at identifying cost savings or income generation options throughout the life of this LTFP.

There is limited scope to fund major capital works in such an environment. Scenario 1 outlines a potential method of delivering on an infrastructure renewal shortfall and new capital works. Scenario 2 outlines a method of dealing with the infrastructure renewal shortfall only. Both scenarios are illustrative only. As and when the need develops to fund major infrastructure, provide new or expanded services or invest more in infrastructure maintenance, Council will engage with the Marrickville community and develop these options further.

4.3 Scenario 2 Financial Projections

The following tables outline the financial impact of the Scenario 2 over the next 10 years by Key Result Area and by External Reporting Category:

Scenario 2 - Marrickville Council -10 Year Income Statement Projection by KRA

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Income										
Rates & Annual Charges										
Diverse, Socially Just, Educated, Safe & Healthy	154,200	158,550	162,900	167,550	172,200	177,000	181,950	187,050	192,300	197,700
Vibrant Economy, Planned & Sustainable Urban Environment	17,798,963	18,346,220	18,830,198	19,332,469	19,910,150	20,312,592	20,719,914	21,670,768	22,277,563	22,804,033
Innovative Effective, Consultative and Representative Council	46,199,983	47,929,592	49,477,178	50,989,245	52,818,808	52,818,744	54,967,957	56,465,888	58,381,647	60,367,104
Rates & Annual Charges	64,153,146	66,434,362	68,470,276	70,489,264	72,901,158	73,308,336	75,869,821	78,323,706	80,851,510	83,368,837
User Fees & Charges										
Diverse, Socially Just, Educated, Safe & Healthy	11,634,637	13,015,995	13,389,091	13,773,465	14,187,242	14,625,829	15,124,098	15,523,982	15,967,017	16,416,192
Creative and Cultural Marrickville	48,947	50,329	51,733	53,162	54,661	56,183	57,755	59,374	61,098	62,741
Vibrant Economy, Planned & Sustainable Urban Environment	4,425,545	4,547,927	4,674,204	4,794,568	4,923,567	5,051,672	5,187,989	5,324,176	5,469,138	5,609,238
Innovative Effective, Consultative and Representative Council	199,841	205,828	212,054	218,308	225,694	235,210	241,864	249,655	256,807	255,176
User Fees & Charges	16,308,970	17,820,079	18,327,082	18,839,503	19,391,164	19,968,894	20,611,706	21,157,187	21,754,060	22,343,347
Interest Income										
Innovative Effective, Consultative and Representative Council	2,676,296	3,055,824	3,335,752	3,367,744	3,399,736	3,432,760	3,467,266	3,547,418	3,647,015	3,747,576
Interest Income	2,676,296	3,055,824	3,335,752	3,367,744	3,399,736	3,432,760	3,467,266	3,547,418	3,647,015	3,747,576
Other Income										
Diverse, Socially Just, Educated, Safe & Healthy	1,506,514	1,548,819	1,591,406	1,636,377	1,681,834	1,728,572	1,776,915	1,826,729	1,878,192	1,930,118
Creative and Cultural Marrickville	35,300	36,140	37,010	37,880	38,810	39,740	40,814	41,922	43,108	44,396
Vibrant Economy, Planned & Sustainable Urban Environment	6,525,858	6,796,969	6,989,162	7,181,409	7,390,805	7,605,262	7,826,187	8,078,232	8,331,473	8,599,127
Innovative Effective, Consultative and Representative Council	4,191,670	4,401,798	4,523,201	4,644,604	4,777,061	4,909,697	5,046,779	5,188,136	5,333,768	5,482,918
Other Income	12,259,342	12,783,726	13,140,779	13,500,270	13,888,510	14,283,271	14,690,695	15,135,019	15,586,541	16,056,559
Grants & Contribs - Operating										
Diverse, Socially Just, Educated, Safe & Healthy	1,674,036	1,772,540	1,821,480	1,871,677	1,923,859	1,976,862	2,031,607	2,088,022	2,146,544	2,160,998
Creative and Cultural Marrickville	11,168	11,481	11,800	12,130	12,470	12,820	13,204	13,601	14,009	14,316
Vibrant Economy, Planned & Sustainable Urban Environment	1,755,786	1,634,303	1,447,587	1,835,776	1,772,384	1,814,338	1,862,473	1,912,000	1,967,913	2,031,731
Innovative Effective, Consultative and Representative Council	2,988,538	2,832,461	2,564,798	2,423,173	2,485,618	2,549,936	2,616,234	2,684,522	2,754,856	2,827,058
Grants & Contribs - Operating	6,429,528	6,250,785	5,845,665	6,142,756	6,194,331	6,353,956	6,523,518	6,698,145	6,883,322	7,034,103
Grants & Contribs - Capital										
Vibrant Economy, Planned & Sustainable Urban Environment	2,365,291	1,102,266	1,135,600	1,163,300	996,277	679,146	696,377	714,415	732,848	752,729
Innovative Effective, Consultative and Representative Council	5,790,000	5,790,000	5,790,000	5,790,000	5,290,000	5,290,000	5,290,000	5,290,000	5,290,000	5,290,000
Grants & Contribs - Capital	8,155,291	6,892,266	6,925,600	6,953,300	6,286,277	5,969,146	5,986,377	6,004,415	6,022,848	6,042,729
Net Gain on Sales of Assets										
Innovative Effective Representative	10,100	9,600	19,400	22,100	9,300	6,800	10,400	2,200	11,600	7,711
Net Gain on Sales of Assets	10,100	9,600	19,400	22,100	9,300	6,800	10,400	2,200	11,600	7,711
Total Income from Continuing Operations	109,992,673	113,246,642	116,064,554	119,314,937	122,070,476	123,323,163	127,159,783	130,868,090	134,756,896	138,600,862

Scenario 2 - Marrickville Council -10 Year Income Statement Projection by KRA

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Expenditure										
Employee Costs										
Diverse, Socially Just, Educated, Safe & Healthy	15,653,779	16,900,549	17,392,357	17,897,326	18,441,093	19,010,478	19,584,097	20,185,011	20,802,101	21,378,576
Creative and Cultural Marrickville	1,603,394	1,594,327	1,647,130	1,693,882	1,744,262	1,795,716	1,849,565	1,905,291	1,962,572	2,021,724
Vibrant Economy, Planned & Sustainable Urban Environment	24,680,562	25,339,722	26,016,965	26,613,856	27,422,443	28,269,480	29,121,513	30,014,827	30,932,215	31,860,244
Innovative Effective, Consultative and Representative Council	9,107,056	9,613,406	9,268,695	9,558,556	9,863,936	10,194,109	10,507,073	10,846,632	11,195,352	11,563,101
Employee Costs	51,044,791	53,448,004	54,325,147	55,763,620	57,471,734	59,269,783	61,062,248	62,951,761	64,892,240	66,823,645
Materials & Contracts										
Diverse, Socially Just, Educated, Safe & Healthy	3,143,612	3,103,813	3,155,565	3,240,658	3,329,021	3,419,453	3,513,692	3,610,802	3,710,938	3,744,204
Creative and Cultural Marrickville	699,007	714,258	734,238	754,254	775,600	796,980	819,124	841,956	865,479	889,991
Vibrant Economy, Planned & Sustainable Urban Environment	15,838,725	17,173,076	17,352,931	17,740,032	18,045,982	18,619,658	19,203,994	19,810,118	20,430,353	21,105,631
Innovative Effective, Consultative and Representative Council	5,667,973	5,149,633	5,164,285	5,344,449	5,450,424	5,732,148	5,754,405	5,957,013	6,075,158	6,406,896
Materials & Contracts	25,349,317	26,140,780	26,407,019	27,079,393	27,601,027	28,568,239	29,291,215	30,219,889	31,081,928	32,146,722
Borrowing Costs										
Innovative Effective Representative	991,213	834,987	616,512	433,399	269,984	111,125	34,253	9,346	-	-
Borrowing Costs	991,213	834,987	616,512	433,399	269,984	111,125	34,253	9,346	-	-
Other Expenses										
Diverse Socially Just Safe & Healthy	1,052,811	1,346,245	1,387,249	1,434,691	1,479,929	1,530,600	1,579,231	1,630,061	1,678,286	1,701,122
Creative Marrickville	131,550	135,050	138,675	142,300	146,175	150,050	154,050	158,175	162,425	166,800
Vibrant Economy Planned & Sustainable Environment	7,283,429	7,500,032	7,724,610	7,951,636	8,193,422	8,437,314	8,689,691	8,950,253	9,219,291	9,531,049
Innovative Effective Representative	4,570,749	5,282,082	4,925,392	5,077,793	5,255,679	6,047,194	5,628,296	5,825,616	6,030,765	6,951,763
Other Expenses	13,038,539	14,263,409	14,175,926	14,606,420	15,075,205	16,165,158	16,051,268	16,564,105	17,090,767	18,350,734
Depreciation										
Diverse Socially Just Safe & Healthy	788,254	788,254	788,254	788,254	788,254	788,254	788,254	788,254	788,254	788,254
Creative Marrickville	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832	3,832
Vibrant Economy Planned & Sustainable Environment	7,327,307	7,346,141	7,365,647	7,385,153	7,406,005	7,426,856	7,448,381	7,470,578	7,493,448	7,516,990
Innovative Effective Representative	853,066	853,076	853,086	853,097	853,108	853,119	853,130	853,142	853,154	853,167
Depreciation	8,972,459	8,991,303	9,010,819	9,030,336	9,051,199	9,072,061	9,093,597	9,115,806	9,138,688	9,162,243
Total Expenditure from Continuing Operations	99,396,319	103,678,483	104,535,423	106,913,168	109,469,149	113,186,366	115,532,581	118,860,907	122,203,623	126,483,344
Net Operating Result from Continuing Operations	10,596,354	9,568,159	11,529,131	12,401,769	12,601,327	10,136,797	11,627,202	12,007,183	12,553,273	12,117,518

Marrickville Council
10 Year Income Statement Projection
Scenario 2

	2015/2016 Budget	2016/2017 Budget	2017/2018 Budget	2018/2019 Budget	2019/2020 Budget	2020/2021 Budget	2021/2022 Budget	2022/2023 Budget	2023/2024 Budget	2024/2025 Budget
Income from Continuing Operations										
Rates & Annual Charges	64,153,146	66,434,362	68,470,276	70,489,264	72,901,158	73,308,336	75,869,821	78,323,706	80,851,510	83,368,837
User Fees & Charges	16,308,970	17,820,079	18,327,082	18,839,503	19,391,164	19,968,894	20,611,706	21,157,187	21,754,060	22,343,347
Interest Income	2,676,296	3,055,824	3,335,752	3,367,744	3,399,736	3,432,760	3,467,266	3,547,418	3,647,015	3,747,576
Other Income	12,259,342	12,783,726	13,140,779	13,500,270	13,888,510	14,283,271	14,690,695	15,135,019	15,586,541	16,056,559
Grants & Contribs - Operating	6,429,528	6,250,785	5,845,665	6,142,756	6,194,331	6,353,956	6,523,518	6,698,145	6,883,322	7,034,103
Grants & Contribs - Capital	8,155,291	6,892,266	6,925,600	6,953,300	6,286,277	5,969,146	5,986,377	6,004,415	6,022,848	6,042,729
Net Gain on Capital Sales	10,100	9,600	19,400	22,100	9,300	6,800	10,400	2,200	11,600	7,711
Total Income from Continuing Operations	109,992,673	113,246,642	116,064,554	119,314,937	122,070,476	123,323,163	127,159,783	130,868,090	134,756,896	138,600,862
Expenditure										
Employee Costs	51,044,791	53,448,004	54,325,147	55,763,620	57,471,734	59,269,783	61,062,248	62,951,761	64,892,240	66,823,645
Materials & Contracts	25,349,317	26,140,780	26,407,019	27,079,393	27,601,027	28,568,239	29,291,215	30,219,889	31,081,928	32,146,722
Borrowing costs	991,213	834,987	616,512	433,399	269,984	111,125	34,253	9,346	-	-
Other Expenses	13,038,539	14,263,409	14,175,926	14,606,420	15,075,205	16,165,158	16,051,268	16,564,105	17,090,767	18,350,734
Depreciation	8,972,459	8,991,303	9,010,819	9,030,336	9,051,199	9,072,061	9,093,597	9,115,806	9,138,688	9,162,243
Total Expenditure from Continuing Operations	99,396,319	103,678,483	104,535,423	106,913,168	109,469,149	113,186,366	115,532,581	118,860,907	122,203,623	126,483,344
Net Operating Result from Continuing Operations	10,596,354	9,568,159	11,529,131	12,401,769	12,601,327	10,136,797	11,627,202	12,007,183	12,553,273	12,117,518
Net Operating Result before Grants and Contributions provided for Capital Purposes	2,430,963	2,666,293	4,584,131	5,426,369	6,305,750	4,160,851	5,630,425	6,000,568	6,518,825	6,067,078

Marrickville Council
Scenario 2
Statement of Financial Position

	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25
Current Assets										
Cash & Cash Equivalents	13,140,307	13,534,517	13,940,552	14,358,769	14,789,532	15,233,218	15,690,214	16,160,921	16,645,748	17,145,121
Investments	26,969,139	27,778,213	28,611,559	29,469,906	30,354,003	31,264,624	32,202,562	33,168,639	34,163,698	35,188,609
Receivables	6,797,186	6,963,982	11,813,996	11,572,053	12,039,783	12,580,824	12,920,525	10,890,250	11,580,529	12,292,047
Inventories	237,356	238,543	239,735	240,934	242,139	243,349	244,566	245,789	247,018	248,253
Other	238,366	239,558	240,756	241,959	243,169	244,385	245,607	246,835	248,069	249,309
Total Current Assets	47,382,354	48,754,812	54,846,598	55,883,621	57,668,626	59,566,400	61,303,474	60,712,434	62,885,063	65,123,339
Non Current Assets										
Investments	22,501,880	22,675,116	15,133,977	18,637,023	19,279,246	18,695,272	23,666,848	29,517,224	35,279,816	25,661,236
Infrastructure Property Plant & Equipment	963,814,924	968,719,730	978,987,140	986,483,699	996,364,489	1,006,192,372	1,012,857,631	1,021,632,640	1,028,522,468	1,050,290,049
Investments accounted for using the equity method	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000	2,344,000
Total Non Current Assets	988,660,804	993,738,846	996,465,117	1,007,464,722	1,017,987,735	1,027,231,644	1,038,868,479	1,053,493,864	1,066,146,284	1,078,295,285
TOTAL ASSETS	1,036,043,158	1,042,493,658	1,051,311,715	1,063,348,343	1,075,656,361	1,086,798,044	1,100,171,954	1,114,206,298	1,129,031,347	1,143,418,625
Current Liabilities										
Payables	7,236,589	7,308,955	7,382,045	7,455,865	7,530,424	7,605,728	7,681,785	7,758,603	7,836,189	7,914,551
Borrowings	3,477,388	3,064,638	2,538,026	2,485,732	1,209,450	489,565	224,740	-	-	-
Provisions	12,806,800	12,934,868	13,064,217	13,194,859	13,326,807	13,460,076	13,594,676	13,730,623	13,867,929	14,006,609
Total 30 - Current Liabilities	23,520,777	23,308,461	22,984,288	23,136,456	22,066,681	21,555,369	21,501,202	21,489,226	21,704,119	21,921,160
Non Current Liabilities										
Borrowings	10,012,151	6,947,513	4,409,487	1,923,755	714,305	224,740	-	-	-	-
Provisions	1,160,874	1,172,483	1,184,207	1,196,049	1,208,010	1,220,090	1,232,291	1,244,614	1,257,060	1,269,631
Total Non Current Liabilities	11,173,025	8,119,996	5,593,694	3,119,804	1,922,315	1,444,830	1,232,291	1,244,614	1,257,060	1,269,631
TOTAL LIABILITIES	34,693,802	31,428,457	28,577,982	26,256,261	23,988,996	23,000,199	22,733,493	22,733,840	22,961,179	23,190,790
NET ASSETS	1,001,349,356	1,011,065,201	1,022,733,733	1,037,092,083	1,051,667,365	1,063,797,845	1,077,438,461	1,091,472,458	1,106,070,168	1,120,227,834
Equity										
Retained Earnings	581,776,534	591,344,693	602,873,824	615,275,593	627,876,920	638,013,717	649,640,919	661,648,102	674,201,376	686,318,894
Revaluation Reserve	419,572,822	419,720,508	419,859,909	421,816,490	423,790,445	425,784,128	427,797,542	429,824,356	431,868,793	433,908,940
Total Equity	1,001,349,356	1,011,065,201	1,022,733,733	1,037,092,083	1,051,667,365	1,063,797,845	1,077,438,461	1,091,472,458	1,106,070,168	1,120,227,834

Marrickville Council

Scenario 2

Statement of Cash Flows

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Cash Flows from Operating Activities										
Receipts										
Rates & Annual Charges	64,153,146	66,434,362	68,470,276	70,489,264	72,901,158	73,308,336	75,869,821	78,323,706	80,851,510	83,368,837
User Charges & Fees	16,308,970	17,820,079	18,327,082	18,839,503	19,391,164	19,968,894	20,611,706	21,157,187	21,754,060	22,343,347
Investment & Interest Income	2,676,296	3,055,824	3,335,752	3,367,744	3,399,736	3,432,760	3,467,266	3,547,418	3,647,015	3,747,576
Grants & Contributions	14,584,819	13,143,051	12,771,265	13,096,056	12,480,608	12,323,102	12,509,895	12,702,560	12,906,170	13,076,832
Other	12,259,342	12,783,726	13,140,779	13,500,270	13,888,510	14,283,271	14,690,695	15,135,019	15,586,541	16,056,559
Payments										
Employee Benefits & On-Costs	(51,044,791)	(53,448,004)	(54,325,147)	(55,763,620)	(57,471,734)	(59,269,783)	(61,062,248)	(62,951,761)	(64,892,240)	(66,823,645)
Materials & Contracts	(25,349,317)	(26,140,780)	(26,407,019)	(27,079,393)	(27,601,027)	(28,568,239)	(29,291,215)	(30,219,889)	(31,081,928)	(32,146,722)
Borrowing Costs	(991,213)	(834,987)	(616,512)	(433,399)	(269,984)	(111,125)	(34,253)	(9,346)	0	0
Other	(13,038,539)	(14,263,409)	(14,175,926)	(14,606,420)	(15,075,205)	(16,165,158)	(16,051,268)	(16,564,105)	(17,090,767)	(18,350,734)
Net Cash provided (or used in) Operating Activities	19,558,713	18,549,862	20,520,550	21,410,005	21,643,226	19,202,058	20,710,399	21,120,789	21,680,361	21,272,050
Cash Flows From Investing Activities										
Receipts										
Sale of Investment Securities	126,250,000	127,512,500	128,787,625	130,075,501	131,376,256	132,690,019	134,016,919	135,357,088	136,710,659	138,077,766
Sale of Real Estate Assets										
Sale of Infrastructure, Property Plant & Equipment	10,100	9,600	19,400	22,100	9,300	6,800	10,400	2,200	11,600	7,711
Payments										
Purchase of Investment Securities	(113,082,130)	(126,509,860)	(124,761,926)	(132,006,472)	(131,162,405)	(131,327,341)	(138,013,292)	(137,874,263)	(141,869,190)	(137,076,045)
Purchase of Infrastructure, Property, Plant & Equipment	(34,019,275)	(18,222,382)	(19,696,475)	(18,665,932)	(19,922,528)	(19,951,697)	(16,819,229)	(18,963,711)	(17,113,834)	(22,859,135)
Contributions paid to Joint Ventures & Associates										
Net cash provided (or used in) Investing Activities	(20,841,305)	(17,210,142)	(15,651,376)	(20,574,803)	(19,699,377)	(18,582,219)	(20,805,202)	(21,478,686)	(22,260,765)	(21,849,704)
Cash flows from Financing Activities										
Receipts										
Proceeds from Borrowing & Advances	2,525,300	-	-	-	-	-	-	-	-	-
Payments										
Payments of Borrowing & Advances	(3,391,858)	(3,477,388)	(3,064,638)	(2,538,026)	(2,485,732)	(1,209,450)	(489,565)	(224,740)	0	0
Net Cash Flow provided (or used in) Financing Activities	(866,558)	(3,477,388)	(3,064,638)	(2,538,026)	(2,485,732)	(1,209,450)	(489,565)	(224,740)	0	0
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,149,150)	(2,137,668)	1,804,535	(1,702,824)	(541,883)	(589,611)	(584,368)	(582,637)	(580,404)	(577,654)
Plus Cash & Cash Equivalents - beginning of year	12,757,580	13,140,307	13,534,517	13,940,552	14,358,769	14,789,532	15,233,218	15,690,214	16,160,921	16,645,748
Cash & Cash Equivalents - end of year	10,608,430	11,002,640	15,339,052	12,237,728	13,816,886	14,199,920	14,648,850	15,107,577	15,580,517	16,068,094
Plus Investments on hand - end of year	49,471,019	50,453,329	43,745,536	48,106,929	49,633,249	49,959,896	55,869,411	62,685,863	69,443,515	60,849,845
Total Cash & Cash Equivalents & Investments	60,079,449	61,455,968	59,084,588	60,344,657	63,450,135	64,159,816	70,518,260	77,793,441	85,024,032	76,917,940

5. PERFORMANCE MONITORING

Marrickville Council will use the following indicators to measure its financial performance. These measures are linked to those used in Council's published financial statements and also to the indicators used by the DLG in its annual publication of comparative information on councils in NSW. This means that the measures, and Marrickville Council's progress against them, are both transparent and comparable. A table of the projected rates is provided at the end of this section

5.1 Operating Performance Ratio

This ratio measures a Council's achievement of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal or revaluation decrements are excluded. The benchmark is greater than 0%

5.2 Own Source Operating Revenue

This ratio measures financial flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own sourced revenue. The benchmark is greater than 60%.

5.3 Unrestricted Current Ratio

The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (e.g. Section 94 developer contributions, RMS contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council's other operating and borrowing costs. The benchmark is greater than 1.5.

5.4 Debt Services Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2.

5.5 Rates and Annual Charges Outstanding

This ratio assesses the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.

5.6 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow. The benchmark is greater than 3 months.

5.7 Building and Infrastructure Ratio

This ratio is to assess the rate at which these assets are being renewed against the rate at which they are depreciating.

5.8 Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

5.9 Asset Maintenance Ratio

This ratio compares actual maintenance costs versus the required annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing. The benchmark is greater than 1.0.

5.10 Capital Expenditure Ratio

This indicates the extent to which a Council is forecasting to expand its asset base with capital expenditure spent on both new assets, and also the replacement and renewal of existing assets. The benchmark is greater than 1.

**Marrickville Council
Key Performance Indicators**

Key Performance Indicators- Scenario 1	Benchmark	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25
Financial Indicators											
Operating Performance Ratio	> 0%	2.39%	4.26%	7.67%	8.28%	8.87%	7.10%	8.15%	8.30%	8.55%	8.08%
Own Source Operating Revenue Ratio	>60%	86.74%	88.60%	89.38%	89.41%	90.14%	90.37%	90.51%	90.64%	90.77%	90.90%
Unrestricted Current Ratio	>1.5	2.01	2.09	2.39	2.42	2.61	2.76	2.85	2.83	2.90	2.97
Debt Services Cover Ratio	>2	4.08	4.26	5.98	7.68	8.34	15.50	42.02	95.90	N/A	N/A
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	<5%	2.80%	2.88%	2.97%	3.06%	3.15%	3.25%	3.34%	3.44%	3.55%	3.65%
Cash Expenses Cover ratio	>3	8.01	7.26	6.88	7.08	7.63	7.57	8.32	8.91	9.46	8.31
Infrastructure Indicators - Scenario 1											
Buildings and Infrastructure Renewals Ratio	>100%	113.27%	101.76%	108.45%	140.70%	104.75%	106.58%	108.01%	108.94%	110.43%	112.65%
Infrastructure Backlog Ratio	<0.02	0.017	0.016	0.016	0.015	0.012	0.010	0.009	0.007	0.006	0.005
Asset Maintenance Ratio	>1	0.86	0.98	1.00	1.01	1.02	1.04	1.05	1.07	1.09	1.11
Capital Expenditure Ratio	>1	3.79	2.46	2.63	2.85	2.67	2.68	2.34	2.59	2.39	3.02
Key Performance Indicators- Scenario 2											
Financial Indicators											
Operating Performance	> 0%	2.39%	2.51%	4.20%	4.83%	5.45%	3.55%	4.65%	4.81%	5.06%	4.58%
Own Source Operating Revenue	>60%	86.74%	88.39%	89.00%	89.02%	89.78%	90.01%	90.16%	90.29%	90.42%	90.57%
Unrestricted Current Ratio	>1.5	2.01	2.09	2.39	2.42	2.61	2.76	2.85	2.83	2.90	2.97
Debt Services Cover Ratio	>2	4.08	3.79	4.84	6.23	6.72	12.03	33.00	75.12	N/A	N/A
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	<5%	2.80%	2.88%	2.97%	3.06%	3.15%	3.25%	3.34%	3.44%	3.55%	3.65%
Cash Expenses Cover ratio	>3	8.01	7.82	7.02	7.46	7.51	7.43	8.03	8.60	9.14	7.98
Infrastructure Indicators - Scenario 2											
Buildings and Infrastructure Renewals Ratio	>100%	113.91%	102.35%	109.09%	141.56%	105.41%	107.27%	108.73%	109.68%	111.20%	112.65%
Infrastructure Backlog Ratio	<0.02	0.021	0.020	0.020	0.019	0.015	0.013	0.011	0.009	0.008	0.007
Asset Maintenance Ratio	>1	0.86	0.98	1.00	1.01	1.02	1.04	1.05	1.07	1.09	1.11
Capital Expenditure Ratio	>1	3.79	2.03	2.19	2.40	2.20	2.20	1.85	2.08	1.87	2.49

5.11 Review of Long Term Financial Plan

A final, qualitative performance measure will be the regular review of this Long Term Financial Plan. Marrickville Council is taking a continuous improvement approach to the LTFP. It is expected that the document will be progressively refined, as Council's knowledge regarding the various assumptions increases and as Council and the community begin to consider and discuss the various scenarios.

It is anticipated that Council will review the LTFP, including each of the scenarios, at least annually.

