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## Governance and Administration Matters - 26 July 2022

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**ITEM 7.3**                      **Proposal to De-amalgamate**

**AUTHOR**                      **Corporate**

### **PURPOSE AND BACKGROUND**

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At its Ordinary Meeting in July 2021, Council considered a motion from Councillor Downey concerning the merits of a proposal to de-amalgamate Canterbury Bankstown Council and reconstitute the former Canterbury City Council and Bankstown City Council.

In the main, Council has resolved to:

- Obtain external advice to analyse the relevant considerations and merits of de-amalgamating (or not) Canterbury Bankstown Council;
- Provide a costed Community Engagement Plan and poll details, inclusive of sources of funding; and
- Based on this report, Council look to establish its position and engage with our community and ask them if they support de-amalgamation to reconstitute the former local government areas.

### **ISSUE**

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This report is prepared in response to Council's resolutions regarding the matter. The report canvases several key issues for Council's consideration, including:

- The legislative changes made by the Government pertinent to the issue;
- The Government's reform process which led to the amalgamation of the two former councils;
- Canterbury Bankstown Council's journey to-date;
- De-amalgamation considerations – including an independent financial assessment; and
- Options Council might consider to progress the matter.

A comprehensive assessment of relevant issues associated with the matter are detailed further in the report.

## **RECOMMENDATION** That -

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1. Council note the information, as outlined in the report.
2. Council consider the suggested options as outlined in the report – or other alternate option(s) – in determining the matter.

## **ATTACHMENTS**

[Click here for attachment\(s\) A to K](#)

[Click here for attachment\(s\) L to T](#)

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- A. Attachment A - OLG - Circular 21-07 - Commencement of Local Government Amendment Act 2021
- B. Attachment B - NOM De-amalgamation Business Proposal (27 July 2021)
- C. Attachment C - MM - Demerger Business Case Underway (22 February 2022)
- D. Attachment D - NOM and Minutes - DeMerge (24 May 2022)
- E. Attachment E - De-amalgamation Guidelines - Minister Response to Council (10 June 2022)
- F. Attachment F - Former Bankstown City Council - Fit for the Future Improvement Proposal
- G. Attachment G - Former Canterbury City Council – Fit for the Future Improvement Proposal
- H. Attachment H - Extracts from IPART's Fit for the Future Assessment
- I. Attachment I - 2016.03.22 - Delegate Report Examination of proposal to amalgamate Bankstown and Canterbury City Councils (22 March 2016)
- J. Attachment J - Local Government Boundaries Commission Report - CBCity (April 2016)
- K. Attachment K - Rates Harmonisation and Financial Stability Report (4 February 2021) (Extraordinary Business Paper)
- L. Attachment L - Special Rate Variation and Minimum Rate Application Canterbury Bankstown Council (May 2021)
- M. Attachment M - CBCity Financial Management Strategy & Long Term Financial Plan 2022-32
- N. Attachment N - Local Boundaries Commission Report – Snowy Valleys (February 2021)
- O. Attachment O - Local Boundaries Commission Report – Cootamundra Gundagai (February 2021)
- P. Attachment P - ILGRP Report – Revitalising Local Government (October 2013)
- Q. Attachment Q - Morrison Low High Level Assessment for Proposed Canterbury Bankstown - De-amalgamation (June 2022)
- R. Attachment R - Campsie Administration Building Future State Analysis and Condition Assessment (July 2022)
- S. Attachment S - EY Separation Program (July 2022)
- T. Attachment T - Submission to IPART on Canterbury Council's 'Fit for the Future' – Hurlstone Park Association Inc (July 2015)

## POLICY IMPACT

As a result of recent amendments made to the *Local Government Act 1993* (the Act), new councils may within ten years of the constitution of their new area, submit a written business case to the Minister for Local Government setting out a proposal for the de-amalgamation of the area – whether to reconstitute the former areas or different areas.

Whilst having no specific policy position on the matter at present, Council's resolution concerning the matter clearly seeks to understand the merits of de-amalgamating prior to establishing its position and determining whether a business case to de-amalgamate is submitted to the Minister.

This report canvases several key elements of consideration for Council. Importantly, this report presents a high-level assessment of the financial implications of what the likely costs to merge will be, as well as exploring issues around scale and capacity, maintaining local identity, local representation and associated operational risk likely to arise as a result of de-amalgamating, what an appropriate Community Engagement Plan may include if we were to consult with the community on the matter and observations associated with conducting Council polls.

The report also provides commentary on the options to constitute different areas, other than simply re-establishing the former areas. The report briefly assesses both the Independent Local Government Review Panel's recommendations and the thoughts of certain community groups wishing to amalgamate with other local government areas.

## FINANCIAL IMPACT

As resolved, Council commissioned Morrison Low to provide an independent high-level assessment of the likely financial impact and other considerations associated with de-amalgamating.

Whilst explained in detail further in the report, in the main, their assessment identifies that the likely minimum costs to de-amalgamate would be as follows:

### Total One-Off / Upfront Costs –funded by the NSW Government

DESCRIPTION	CCC \$M	BCC \$M	TOTAL \$M
One-Off /Upfront Costs	24.0	29.2	53.2
One-Off / Upfront Costs – Campsie Admin	13.0	-	13.0
<b>TOTAL One-Off / Upfront Costs</b>	<b>37.0</b>	<b>29.2</b>	<b>66.2</b>

### Total Ongoing / Recurrent Costs – funded by Ratepayers or the NSW Government

DESCRIPTION	CCC \$M	BCC \$M	Total \$M
<b>TOTAL ONGOING / RECURRENT COSTS – ANNUAL</b>	<b>9.5</b>	<b>11.4</b>	<b>20.9</b>

## Estimated Average Annual Increase per rateable property – Residential and Business

DESCRIPTION	CCC \$	BCC \$	Total \$
AVERAGE RATE INCREASE – ANNUAL	175	166	170

In submitting a Business Case, certainly the decision regarding who funds both upfront and ongoing/recurrent costs plays a significant part in any decision that Council makes and indeed what the Minister may decide/determine.

In accordance with *Section 218CC(6) of the Act*:

*The Minister is, by making grants under section 620 or using money otherwise appropriated by Parliament for the purpose, to ensure that the cost of any de-amalgamation of the new area resulting from a business case submitted under this section is fully funded.*

Based on the above, it is arguable whether *the cost of any de-amalgamation* refers to the *upfront costs* only or indeed includes the expected *annual ongoing/recurrent costs* that would apply each year forever.

Naturally, Councillors will need to carefully consider how a Business Case best articulates what proposed funding model should apply if Council were to de-amalgamate. That said, one would imagine that the Minister's decision would consider the financial impact of a Business Case and apply a *public interest* test when considering what the NSW Government would in fact consider to be appropriate/feasible in funding a proposal.

While it is reasonable to expect the whole cost of the de-amalgamation of the new area resulting from a business case submitted to be fully funded as per the legislation, if Council were to consider any other option to fund ongoing costs, this would be borne by ratepayers and residents through either increased rates, a reduction in services or a mix of both. These matters and others are further examined in this report to assist Councillors to determine their position on the matter.

In terms of the estimated costs – Councillors should note that Morrison Low's assessment is in line with the experience of actual de-amalgamations from around Australia, including relatively recent de-amalgamations in regional Queensland. In the Queensland experience the ongoing rate increases were borne by the ratepayers in perpetuity.

This report also provides details of what a likely Community Engagement Plan may consist of if Council were to undertake further expenditure to survey residents. If Council were to consider applying ongoing rate increases on ratepayers then this is considered important, though if all costs are borne by the NSW Government it would be less important.

A suggested comprehensive city-wide engagement plan, which aims to consult with all ratepayers and our community, would cost as follows:

## Estimated Community Engagement Plan (CEP)

DESCRIPTION	ESTIMATED COST \$K
<b>Proposed Community Engagement Plan</b>	
<b>Community Information Flyer and Survey Mailout</b>	210
<b>Survey Return and Analysis</b>	25
<b>Website and Have Your Say Development (including on-line survey and translation)</b>	22
<b>Statistically Significant Phone Survey</b>	25
<b>TOTAL COST</b>	<b>282</b>
<b>Further Community Engagement Options</b>	
<b>Hotline</b>	10
<b>Community Information Sessions</b>	10
<b>Establish Representative Panel</b>	150
<b>Council Poll – Conducted in September 2024 – Ordinary Election</b>	250
<b>TOTAL COST - FURTHER OPTIONS</b>	<b>420</b>
<b>TOTAL COST - COMMUNITY ENGAGEMENT PLAN</b>	<b>702</b>

## COMMUNITY IMPACT

Council’s journey to-date has been positive. Council now has an established financial path which addresses both the former Councils’ long-term financial pressures and importantly incorporates the economic benefits that scale and capacity and strong leadership present for Council.

Despite CBCity’s relatively short existence, Council has made significant inroads into transforming our city – balancing among many issues – the transition of the two former councils, our new identity, formulating new strategies and direction, and importantly providing clarity in terms of place-making and planning for growth throughout our Local Government Area.

Council has both weathered and dealt with many challenges over the past six years – including the ICAC inquiry into the former Canterbury Council arising from a vacuum of place-based spatial planning, the economic and financial pressures facing the local government sector and communities and COVID-19 – and continues to show the capacity, ability and resilience to manage within a complex environment and deliver a high standard and uninterrupted level of service throughout our community, including record levels of expenditure on infrastructure throughout our Local Government Area.

That said, the issue of de-amalgamating continues to be raised by some Councillors and parts of our community for various reasons. This report provides requested analysis and a compendium of background information to enable Council to consider its position with regards to progressing the matter.

## DETAILED INFORMATION

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### 1. LEGISLATIVE CHANGES

- 1.1. In May 2021, The *Local Government Amendment Act 2021* (Amendment Act) was passed by the NSW Parliament.
- 1.2. Amongst the several changes, the *Amendment Act* also provided a process for councils constituted within the last 10 years to submit a business case with supporting reasons to the Minister for a de-amalgamation of an area.
- 1.3. In its Circular dated 27 May 2021 – *Commencement of Local Government Amendment Act 2021* – OLG indicated that further information on the process will be separately provided to councils (Attachment A).
- 1.4. As part of the *Amendment Act – Section 218CC – Proposals for de-amalgamations* – was inserted into the *Local Government Act 1993*. In the main, the *Section 281CC* states that:
  - 1) *The new council may, within 10 years of the constitution of the new area, submit a written business case to the Minister setting out—*
    - a. *a proposal for the de-amalgamation of the new area, whether by reconstituting the former areas or constituting different areas, and*
    - b. *the reasons in support of the proposal.*
  - 2) *The Minister must, within 28 days after the business case is submitted, refer the de-amalgamation proposal to the Boundaries Commission with a direction that it conduct an inquiry and report on the proposal.*
  - 3) *Without limiting subsection (2) or Section 263, the Boundaries Commission may in its report recommend that—*
    - a. *the de-amalgamation proposal be supported, or*
    - b. *the de-amalgamation proposal be rejected, or*
    - c. *a different de-amalgamation proposal be supported.*
  - 4) *The Minister must ensure that the report of the Boundaries Commission is publicly released within 48 hours after it is provided to the Minister.*
  - 5) *The Minister must, within 28 days after the report is provided to the Minister, provide a written response to the new council setting out—*
    - a. *whether or not the Minister supports the de-amalgamation proposal, or a different de-amalgamation proposal recommended by the Boundaries Commission, and*

- b. *the reasons for the Minister's decision, and*
- c. *if the Minister supports the de-amalgamation proposal or the different de-amalgamation proposal—the anticipated time frame for giving effect to the proposal.*

6) *The Minister is, by making grants under section 620 or using money otherwise appropriated by Parliament for the purpose, to ensure that the cost of any de-amalgamation of the new area resulting from a business case submitted under this section is fully funded.*

1.5. Despite OLG's indication that further information on the process will be separately provided to councils – they have indicated (verbally) that the preparation of the guidelines was not a priority and/or forthcoming. On 10 June 2022 the Minister did respond on the matter – details of Ministers response in Section 2.7 below.

## **2. COUNCIL'S DECISIONS TO-DATE**

2.1. As a result of the changes to *the Act*, Council – at its July 2021 Ordinary Meeting (Attachment B) – resolved:

*That Council obtain external advice analysing the relevant considerations for Council to consider the merits of de-amalgamating (or not) Canterbury Bankstown Council to re-constitute the former Canterbury and Bankstown Councils. Councillors are to be briefed on the outcome of the analysis.*

2.2. In scoping the external brief – Council were mindful of OLG's commitment that further information on the process would be separately issued to councils – and as such were awaiting OLG's advice. This would ensure that Council include a relevant/required element to appropriately assess the merits of a de-amalgamation.

2.3. Despite several enquiries, OLG were unable to advise as to when or if relevant instructions/guidance would be disseminated to councils regarding the matter.

2.4. In September 2021, Council commissioned Morrison Low to carry out a high-level review/assessment of:

- Extrapolating the former Council's financial performance/positions and compare that with Canterbury Bankstown Council's financial performance/position;
- Estimating the likely one-off de-amalgamation costs;
- Estimating the likely ongoing benefits/costs resulting from the amalgamation; and

- Estimating the likely impact the above would have on the former Councils and their Ratepayers, if a de-amalgamation were to proceed.
- 2.5. In February 2022, Council endorsed a Mayoral Minute – *Demerger Business Case Underway* – indicating that though our review had commenced, that Council also write to the NSW Minister for Local Government and calling on the Minister to release the guidelines and/or relevant information so that Council could appropriately consider this with both an open mind and our communities’ best interest at heart (Attachment C).
- 2.6. In May 2022, Council further considered the matter and resolved that (Attachment D):
  - 1) *Council awaits and considers the independent review regarding de-amalgamation – as resolved by Council at its Ordinary Meeting on 27 July 2021.*
  - 2) *The report includes a costed Community Engagement Plan and poll details, inclusive of sources of funding, for Council’s consideration.*
  - 3) *Council receives a report on the matter at its July 2022 Ordinary Meeting.*
  - 4) *In light of the report, Council establish its position and engage with our community and ask them if they support de-amalgamation to restore former Canterbury and Bankstown Councils.*
- 2.7. On 10 June 2022, the Minister responded to the Mayor (Attachment E) indicating that:
  - No guidelines were necessary as *the Act* sets out the relevant procedures;
  - The NSW Government is not proposing to provide further guidance or guidelines on the process established by *Section 218CC*;
  - The provision is a stand-alone provision relating to ‘new’ councils. It is for the council to frame the proposal; and
  - A ‘business case’ must include matters referred to in *Section 218CC(1)(a)* and *(b)* to trigger the requirement to submit the business case referred to the Boundaries Commission.

### **3. DECISION TO AMALGAMATE THE FORMER COUNCILS**

In considering the matter, it’s important to initially provide a brief background regarding the NSW Government’s process and decision-making to amalgamate the former Bankstown (BCC) and Canterbury (CCC) Councils.

### 3.1 NSW Government's Reform Process

The NSW Government's assessment roadmap to forcibly merge several councils largely commenced in 2013 – and evolved into its *Fit for the Future* (FFF) assessment process of all councils.

3.1.1 Whilst quite a detailed process - broadly, the NSW Government:

- established an Independent Local Government Review Panel (ILGRP) – tasked with formulating options for a stronger and more effective system of local government; and
- subsequently commissioned IPART to assess each councils *scale and capacity* to stand-alone – particularly referring to a council's ability to engage effectively across community, industry and governments - and importantly their ability to remain *financially sustainable*.

3.1.2 In brief, the ILGRP (*Attachment P – Page 105*) had recommended the following for each former Council:

- In terms of Bankstown City Council (BCC):
  - supported a 'no Change' option; or
  - combine as a strong Joint Organisation with Liverpool, Fairfield, Camden, Wollondilly Councils; and
  - as an alternative, BCC could be merged with Canterbury as part of the South sub-region – though they did not include it as one of their final options.
- In terms of Canterbury City Council (CCC):
  - Amalgamate with Hurstville, Kogarah and Rockdale; or  
  
Combine with the above Councils as a strong Joint Organisation – though to also include Sutherland; and
  - As an alternative, CCC could amalgamate with Bankstown – though they did not include it as one of their final options.
- Councillors should note that the above recommendations were the views of the ILGRP and not endorsed and/or supported by the former Councils, at the time.

3.1.3 Subsequently - as part of the FFF process - Councils were required to submit either a:

- **Merger Proposal** – being a proposal from agreed councils to merge with one or more other councils to achieve sufficient scale and capacity; or
- **Council Improvement Proposal** – being for councils that currently have sufficient scale and capacity without any structural change or are proposing changes to achieve scale and capacity without merging with another council.

3.1.4 In complying with the Government FFF framework, both former Councils resolved to submit a *Council Improvement Proposal*.

### **3.2 Bankstown City Council Improvement Proposal (Attachment F)**

3.2.1 In the main, Bankstown City Council's improvement proposal:

- Clearly documented its ability to stand-alone – both in terms of scale and capacity and from a financial perspective – subject to implementing its proposed SRV - see below; and
- in the event that the NSW Government determines that BCC was unable to stand-alone – then an amalgamation with components of Strathfield Council presented the greater synergy to BCC's existing position.

3.2.2 From a financial perspective, the former BCC proposal separately indicated that it:

- Had already realised operational/cost efficiencies of around \$7M per annum;
- Was well-across its asset management obligations – having confidence that its information was accurate and a true reflection of the state, condition and value of all its assets; and
- Determined the need for an SRV of \$17M to remain financially sustainable.

### **3.3 Canterbury City Council's Improvement Proposal (Attachment G)**

3.3.1 In the main, Canterbury City Council's improvement proposal:

- Similarly suggested its ability to stand-alone – both in terms of scale and capacity and from a financial perspective – subject to

introducing/applying several financial reforms as outlined in their proposal and 2014/15 Long Term Financial Plan - see below; and

- in the event that the NSW Government determines that CCC was unable to stand-alone then an amalgamation with one or more of the St George councils would be their preference – and not Bankstown.

3.3.2 The former CCC’s proposal – which was underpinned by their 2014/15 Long-Term Financial Plan – indicated that it was:

- Reliant on their *Infrastructure Levy* (\$5M – as at 2018/19) continuing to be levied;
- Implementation of their *Sustainability Levy* – 24% increase in rates per annum to assist in managing both operational and infrastructure needs;
- Increases in charges to sporting fields and leasing out areas of aquatics centres and parks for income generating activities;
- Reducing the frequency of street cleaning – including roadway kerb/gutter cleaning, festivals to only one per year;
- Required to cut free nature strip mowing;
- Accept further deterioration of roads, footpaths, parks and buildings; and
- Borrowing \$36.5M to address infrastructure backlog issues at the time rather than obtaining further rating income – which was based on debt servicing costs/obligations stretching over 30 years.

3.3.3. Having considered the Proposals, IPART had assessed all councils and identified/categorised them as either *Fit* or *Unfit* – based on their set methodology.

IPART had determined the following for each former Council:

FORMER COUNCIL	BCC
Former Bankstown City Council	Fit for the Future
Former Canterbury City Council	Unfit for the Future

Extracts from IPART’s Assessment of *Council Fit for the Future Proposals – Final Report*, referencing both former Councils is attached – Attachment H.

In the main, IPART’s Financial Assessment of both former Council’s was on the basis that the above financial sustainability measures – as outlined in

their Improvement Plan and Long-Term Financial Plans - would be implemented.

3.3.4 Following IPART’s assessment – In October/November 2015, the NSW Government’s Fit for the Future reform process further required councils to indicate three (3) merger preferences, as follows:

- *Unfit Councils*: required to nominate their merger preferences
- *Fit Councils*: required to nominate their merger preference if they neighbour a council that was not fit due to scale and capacity

On that basis, both former councils resolved the following:

	Preference 1	Preference 2	Preference 3
<b>Former Bankstown City Council</b>	Bankstown	Strathfield	Canterbury
<b>Former Canterbury City Council</b>	Bankstown	Hurstville	St George Councils

3.3.5 On 6 January 2016, the Minister for Local Government referred the NSW Government’s own proposal to merge the local government areas of Bankstown City Council and Canterbury City Council to the Acting Chief Executive of the Office of Local Government for examination and report under *the Act*.

The Government’s decision was quite interesting, in that it largely disregarded all information and/or suggested recommendations sought as part of their Fit for the Future process - including IPART’s financial assessment of the two former councils, the ILGRP’s recommendations and both former Councils suggested merger options.

3.3.6 A copy of the Delegates Report and Local Government Boundaries Commission Report supporting the proposed merger, is attached for Councillors information - Attachment I and J.

3.3.7 Subsequently, on 16 May 2016, the Governor forcibly dissolved the former Councils and proclaimed our new area as Canterbury Bankstown Council.

3.3.8 Notwithstanding the Government’s decision to forcibly merge both Bankstown and Canterbury Council’s, the recent changes to the *Local Government Act 1993* now provide an opportunity for councils to re-assess the NSW Government’s 2016 decision.

Indeed, the desire to de-amalgamate continues to be raised by some Councillors and some members of our community – and as such the matter needs to be carefully considered.

## 4. CANTERBURY BANKSTOWN COUNCIL (CBCity)

### 4.1. Scale and Capacity – CBCity

4.1.1 As Councillors would agree, despite CBCity's relatively short existence, Council has made significant inroads into transforming our city – balancing among many issues - the transition of the two former councils, our new identity, formulating new strategies and direction, community expectation and financial stability.

4.1.2 One key measure adopted for our city is establishing transparency and clarity in terms of place-making and planning for growth throughout our area. Importantly, Council's Masterplan Program ensures that we apply:

- a strategic framework and proactive approach to planning for our places and town centres – providing our community the certainty and openness on where and how growth will occur;
- planning controls that are contemporary and provide best-practice design, sustainability and built form outcomes that drive positive outcomes and importantly meet community needs and expectations; and
- prevent ad-hoc and/or poor outcomes or a fragmented approach to dealing with individual development proposals – which open Council to criticism, appeals/challenges or enabling other Government authorities and agencies to determine outcomes.

Importantly, Council's considered approach addresses both the inconsistent and/or poor approach to strategic planning that existing at the former Canterbury Council – inadequate/poor planning which ultimately exposed it and/or led to the ICAC inquiry.

4.1.3 Whilst our progress has been positive – it has also come with several challenges. Despite this, Council is now well placed – and setting a clearer path for the future – particularly from a financial perspective.

4.1.4 As indicated above - our financial journey is well documented. Council has been transparent, has shared our strategy with our community and importantly, it has been independently validated by IPART.

4.1.5 Whilst short-lived, our financial landscape has significantly evolved when compared with the financial issues/pressures faced by the former Councils. Indeed, one may question how prepared the former councils would have been and/or whether they would have had the capacity to respond to the challenges that we have faced since the merger. Inevitably, we will never know.

4.1.6 Since the merger, Council has faced, balanced and dealt with many challenges, particularly:

- Significant, unexpected and/or unfunded transition costs to bring the two former councils together;
- Inability to realise KPMG's expected economies of scale - particularly IT related services/contracts;
- Lack of flexibility to deal with existing commitments, contracts and liabilities;
- Rate freeze legislation imposed by the NSW Government;
- Diminishing Government grants and contributions, ongoing cost-shifting from other tiers of Government and the inadequacy of the rate-pegging limits set by IPART – particularly in terms of covering escalating increases in non-discretionary cost (eg. State Government charges, Emergency Services Levy, election costs);
- Pandemics, floods and fire; and
- General/broader economic condition – interest rates, inflation and general market-forces.

4.1.7 Clearly, and whilst difficult to tangibly articulate/calculate – the financial impact of some of our challenges have been quite substantial – though Council has been able to effectively manage their impact from within our existing financial framework/long-term financial plan.

4.1.8 CBCity has been able to demonstrate that it's a progressive organisation - successfully weathering the many challenges faced since merging. As a new organisation, we are well advanced, continuing to mature and consistently realising operational savings.

4.1.9 Our progress is evident – having successfully transitioned through the various critical economic layers one would expect a merged entity to fulfil – particularly in terms of:

- realising potential cost savings;
- re-calibrate our balance sheet;
- funding cash reserves to meet our current and future liabilities; and
- establishing the required financial capacity to deliver on our commitments and community needs.

4.1.10 Graphically, this is best demonstrated as follows:



- 4.1.11 Despite diverging views, Council’s success to-date – in part – is arguably attributable to its size, presence within metropolitan Sydney and capacity to manage the many challenges – particularly our ability to absorb unforeseen economic contingencies/extraordinary-events, such as COVID19’s financial impact, general supply and demand issues and employee resourcing constraints.
- 4.1.12 Whilst withstanding the above difficulties/challenges, we continue to deliver record levels of capital works and replacement programs – which would not have been achievable by the former council’s as stand-alone entities.
- 4.1.13 Council’s journey is still in its infancy – though well advanced compared to other merged councils. Council has both demonstrated and continues to realise the objectives set by Council and indeed exceeded the NSW Government’s expectations – being \$4.5M per annum whilst Council’s estimated savings and efficiencies re-invested in our operations amount to around \$21M. Importantly, our Financial Management Strategy and LTFP has been validated by IPART.
- 4.1.14 Whilst having set in place and secured our financial future, Council’s agenda now turns to establishing the broader economic development opportunities for our City – a desire to both promote and advance a higher standard of living and a sense of belonging across our entire community.
- 4.1.15 As a large Metropolitan Council – with a clear vision articulated in our Community Strategic Plan and Local Strategic Planning Statement – Council now has the impetus to step into the next phase of our journey - driving economic growth, the development of required infrastructure and

capitalising on our regional significance/competitiveness within metropolitan Sydney.

## 4.2. A Closer Look at Our Financial Journey To-Date

4.2.1 Council's long-term financial considerations are of no surprise. Indeed, Council has clearly articulated how our financial constraints stem from both former councils LTFP limitations.

4.2.2. Following the merger, CBCity's immediate objective – from a financial perspective – was to:

- both understand/validate and establish the true landscape of the former Council's financial position;
- determine the adequacy of available funding required to deliver on our community's expectations around service delivery; and
- determine the adequacy of available funding to maintain infrastructure assets to current standards, ensure their adequacy to deliver on agreed services to our community and prevent further deterioration across our asset base – valued at \$4.9B.

4.2.3 Having regard to the above, the following is a summary of some of the more pertinent issues realised/discovered in managing Councils financial obligations – and importantly formulating our long-term financial plans:

- At the time of merging, both former councils short to medium term financial positions – from a cashflow perspective – were sound and stable (albeit at the cost of capital and replacing assets);
- Both former councils had one of the lowest *cost-per-capita* and *employee-per-population* ratios amongst all Metropolitan council's;
- Council had established and put into effect a detailed transition plan, which quite quickly realised several administrative and operational savings totalling around \$7M per annum – representing around 3% of our cost-base (excluding depreciation).
- Given Council's strong focus and commitment to continuous/business improvement, it was also able to review and re-assess several processes/practices and introduce certain reforms which, delivered on a further estimated \$14M of efficiencies throughout the organisation.

These included items such as:

- Where feasible – capitalising on available economies of scale;

- Continuous improvement approach to refining processes and realising administration efficiencies;
- Streamlining depot operations to effectively manage services; and
- Rationalising end-of-life assets;

4.2.4 That said, the above savings and/or resources have since been largely redirected to strengthening other services, balancing other operational and capital budget requirements and/or funding other costs pressures – particularly stemming from escalating non-discretionary costs (eg. NSW Government charges), cost-shifting, decreasing Government grants and reducing returns on cash investments.

4.2.5 In terms of transitioning our organisation, it is estimated that around \$25M was spent on bringing the two organisations together – some \$15M more than the *Council Implementation Fund* provided to Council by the NSW Government. Inevitably, Council was required to absorb the funding gap from within its existing operations.

4.2.6 With respect to the former CCC, CBCity was also required to consider the following:

- Unable to extend their long-standing Infrastructure Levy (\$5M per annum) due to the NSW Government’s Rate Freeze Policy;
- The specific savings/other-income measures identified in the former CCC’s Long-Term Financial Plan were never implemented by the former Council and given their nature, were rejected by the new CBCity – particularly as we have reviewed our policies and/or approach to managing our services and assets.

As a result, Council was required to also absorb the financial measures – estimated at around \$4M per annum;

- Address the financial impacts associated with several poor/antiquated contracts – eg. fleet management, IT and waste management;
- Correcting several capital/infrastructure non-disclosures and/or reporting requirements, including:
  - Buildings, roads and stormwater drainage – totalling \$54M;
  - Under-estimating the infrastructure backlog value - \$99M;
  - Inaccurate condition rating for certain assets;

- Understating depreciation expense – around \$6M per annum; and
  - Overstating useful lives on a range of assets.
- The lack of and/or limited ability to generate available General Funds for capital replacement purposes at the time of amalgamation – by way of example, only \$6.2M of General Funds were committed for asset replacement purposes in CCC's 2014/15 Capital Budget.

Councillors should note that the above amount (\$6.2M) incorporates the former Council's *Infrastructure Levy* (\$5M) - which was subsequently lost following the merger. If not for the *Infrastructure Levy* at the time, the former Council would have had only \$1M of General Funds for asset replacement purposes – which if not addressed would have presented a serious financial constraint, particularly in terms of managing asset/infrastructure and LTFP issues for the city in the future.

4.2.7 Developed/adopted a sophisticated strategic asset management approach to managing our long-term asset needs – and importantly determined clarity around:

- The true estimated cost of replacing Council's entire asset base – \$4.9B;
- Understanding the value/state of our current asset base - \$3.6B;
- Accumulated depreciation of \$1.3B – being the value/amount our assets have depleted over time;
- Clarity around asset, conditions, useful lives and required maintenance funding;
- Developed a reliable approach to determining Council's level of annual depreciation expense and using it as a reasonable/reliable indicator in setting required infrastructure reserve funds and our annual capital replacement programs; and
- Understanding the correlation between our annual capital replacement program and impacts on asset back-logs/renewals.

4.2.8 Notwithstanding the many challenges and economic pressures faced, one of Council's most encouraging outcomes is the increased level of spending on capital works and infrastructure. Comparatively, as a merged entity, Council has been able to both fund and deliver large-scale capital programs, when compared to the former Councils.

4.2.9 The year-on-year comparison is as follows:

	13/14 \$M	14/15 \$M	15/16 \$M	16/17 \$M	17/18 \$M	18/19 \$M	19/20 \$M	20/21 \$M	21/22 \$M	22/23 \$M
<b>BCC</b>	42.8	31.8	25.5	-	-	-	-	-	-	-
<b>CCC</b>	10.1	12.8	14.4	-	-	-	-	-	-	-
<b>CBCity</b>	-	-	-	78.7	59.5	60.3	59.2	88.5	170.2	100.0
<b>TOTAL</b>	<b>52.9</b>	<b>44.6</b>	<b>39.9</b>	<b>78.7</b>	<b>59.5</b>	<b>60.3</b>	<b>59.2</b>	<b>88.5</b>	<b>170.2</b>	<b>100.0</b>

4.2.10 Council’s current scale and capacity sees Council delivering a program twice the size of the former council’s combined program (ie. Council’s 2022/23 compared with the former Council’s 2013/14 financial year results).

4.2.11 In summary – CBCity had estimated the following shortfall in available funding to support our operations and asset replacement programs as follows:

<b>IMPACT ON OPERATIONS</b>	<b>ANNUAL</b>	<b>SINCE MERGER \$M</b>
<b>Former BCC – Underfunding Depreciation – 2015 Value</b>	17	102
<b>Former CCC – Loss of SRV – Infrastructure Levy – 2018 Value</b>	5.3	31
<b>Former CCC – Service Cuts, Fees, Asset Deterioration – 2015 Value</b>	4.2	26
<b>Former CCC – Understated Depreciation – 2015 Value</b>	6.0	36
<b>TOTAL Funding Shortfall</b>	<b>32.5</b>	<b>195</b>

4.2.12 In carefully considering the above – the previous term of Council fulfilled one of its more critical requirements as a governing body – that being to implement an SRV that would ensure the financial sustainability of the Council for generations to come.

4.2.13 The above briefly outlines some of the issues that Council has had to consider and reflect in its long-term financial plan. These issues will again need to be carefully considered in formulating the likely financial impact/consequences for each former Council’s long-term financial plans – and importantly what it will mean for each ratepayer – if a de-amalgamation were to proceed.

### **4.3 Service Delivery and Governance**

4.3.1 Notwithstanding the challenges we have faced since merging – arguably our strength and the pace of our success is largely attributable to our size

and scale. Despite the differing views, Council has – as a merged entity - clearly been able to drive:

- A greater focus on good governance, strategically planning for our city, building community confidence and being accountable;
- Community consultation – ensuring our community have an opportunity to have their say on Council matters;
- Invest in business improvement, innovation and best practice;
- Establish effective internal and performance auditing; and
- Support our people through established workforce & leadership strategies.

4.3.2 Some of the more pertinent examples which highlight our success include:

- Bringing management of the Morris lemma Indoor Sports Centre in-house with a new business model increased usage, improved cost efficiency, and reduced Council's exposure to the inconsistent commercial market offering – whilst also rectifying poor governance arrangements around the contracting of this service.
- Bringing management and consolidation of the Learn to Swim Program in-house, reviewing and implementing a new business model, we now provide a direct service to the community, saving money and improved level of customer service.
- Bringing legal services in-house not only saved \$1 million per annum in legal expenses for CBCity it also allowed the organisation to utilise a greater amount of legal advice from the in-house counsel, resulting in better outcomes for Council and the community.
- Redesign of the capital works process with the creation of a new Project Management Framework, improved planning, design and execution of capital works projects, increased the number of capital works projects delivered annually.
- Strategic approach to community assets ensures the best outcome for the community for various major asset groups. For example, in 2018 Council adopted a Playgrounds and Play Spaces Strategic Plan to guide the future provision, development and management of playgrounds and play spaces over the next decade. The Strategic Plan was developed with a focus on providing quality, diverse and accessible play experiences that support a range of age groups and abilities.
- The adoption of the CBCity's Leisure and Aquatic Strategic Plan. This Strategy has been developed, funded and is now being implemented including the current Greenacre Splash Park project and significant

infrastructure replacements for Canterbury Leisure and Aquatics facility (commencing 2022/23) and Max Parker Leisure and Aquatic facility (commencing 2025/26). In total, \$170M (current dollars) worth of leisure and aquatic infrastructure will be delivered.

- Better use of data and technology to improve the lives of residents, workers and visitors to Canterbury-Bankstown has resulted in the Smart City website portal and Road Map, investment in smart infrastructure including Smart poles, city sensors, Internet of Things (IoT) devices, free WiFi, installation of CCTV surveillance in Bankstown's Civic Precinct, the Close the Loop on Waste operations project, a 'Magical' app for visitors to the Bankstown Gardens, providing an interactive crossover of the virtual and physical environment and encourages game play for children; and phasing in an electric corporate fleet including charge points in Council's carparks.
- From July 2022, 100% of Council's electricity will be derived from renewable sources. Working under SSROC's Electricity Tender, and in partnership with 24 Sydney LGAs, Council signed an agreement that delivers 20% of our total energy from the Moree Solar Farm at a fixed price until December 2030 and the remaining 80% is supplied from via a retail agreement at a fixed price to December 2026 with an option to extend to December 2030.
- Leading water quality initiatives for the Cooks River including running programs on behalf of smaller councils without the capacity to deliver these larger environmental projects.
- CBCity has led and managed the reporting illegal dumping (RID) program on behalf of member Councils. The program delivers a significant reduction in illegal dumping and associated clean-up costs. The program has delivered many instances of successful prosecutions and fines for illegal dumping.
- CBCity's new scale and capacity has also allowed it to invest in upgrading and modernising the former Canterbury Council's plant and fleet. This was to bring it into line with the condition and age of a properly maintained and safe fleet.

By way of example, Council;

- discarded the former CCC's spray booth system which was being used to enhance the appearance of old/out-dated vehicles so as to appear as if they were still new.
  
- Addressed poor/inefficient practices, particularly maintaining and/or restoring end-of-useful life assets given the lack of capital funding to replace assets – which were also exposing Council to a number of safety concerns/issues; and
  
- Ceased the fabrication of trailers and their use – which failed to meet Australian Safety Standards.

The above changes allowed services to be harmonised and help deliver improved efficiencies in service delivery and throughout our operations – leading to reduced maintenance costs, less downtime and increased productivity.

- The City Futures Directorate - sets Council's future direction by advancing the sustainability, liveability and prosperity of the City. The department includes statutory Integrated Planning and Reporting, Community Outcomes, Economic Development, and Environmental and Sustainability initiatives.
  
- Strategic Planning Capacity in the Planning Directorate are responsible for city-wide planning. The new Council has built on the capacity of the Team to internally deliver strategic planning documents such as new city wide LEP, a number of Masterplans for major centres, LSPS and other strategy documents.
  
- The People and Performance Directorate- using scale to deliver savings and efficiencies that has been able to deliver HR business partnering; organisational development and business improvements. CBCity can now deliver internally organisational learning and development through internal systems and people resources.

A new business improvement team helps the organisation with reviews of services and enables teams to deliver greater productivity, efficiencies, and savings; increased investment in new systems and people to deliver improved risk management and self-insurance outcomes.

- Expanded the former CCC's Internal Audit Services from 0.6 FTE to now having 2.0 FTE's to support our organisation in ensuring overall compliance, corporate risk management and providing advice on efficiency and effectiveness measures.

4.3.3. Having established the above – it is recognised that our ongoing agenda is continuing to enhance our understanding and achieving the high-quality and efficient service delivery expected of our community.

4.3.4 Council's 2022-25 Delivery Program examines the important issues facing our City and outlines the priorities for the Council term to ensure that services continue to meet community expectations in terms of quality and value for money.

The 2022-25 Delivery Program will focus on a range of priorities including:

- leading the way to create a cool, clean and green city – through transparent planning, clear targets and direct action (e.g. increasing the tree canopy; establishing of a solar farm in the City; and progressing a new Sustainable Resource Recovery Facility at Kelso);
- taking a more customer-centric approach to service delivery (e.g. verge mowing, town centre maintenance), aligning services with community expectations, strategies and available resources, and using data and technology to improve service provision;
- improving overall road condition and pursuing data and technology solutions to improve infrastructure maintenance e.g. using artificial intelligence and cameras on trucks to monitor and maintain the road conditions;
- marketing the City and aligning services with the evolving creative needs of our community (e.g. Campsie Cultural and Civic Precinct, night time economy);
- advocating for the community and our City, with better outcomes from NSW Government planning and infrastructure initiatives (e.g. transforming Canterbury and Bankstown-Lidcombe Hospitals into state-of-the-art facilities); and
- masterplanning for our local and village centres i.e. Canterbury, Lakemba, Belmore; Belfield Village; Punchbowl; and Wiley Park.

4.3.5 Having transitioned our organisation, our focus now turns to establishing clear principles and standards – particularly refining service levels to optimise community life – whilst ensuring its delivery is within our means and/or available resources. The required actions will form part of Council's ongoing Delivery and Annual Operational Planning process.

### **4.3 Our Workforce**

4.4.1 A key strength of Council's operations is its people – who have a great depth of knowledge, experience and a strong relationship with our community.

- 4.4.2 As a new entity, Council placed great emphasis on establishing a new culture – built upon a commitment to strong staff engagement and a vision to be a *leading organisation that collaborates and innovates*.
- 4.4.3 Developing and sustaining a constructive culture has been critical to our ability to integrate our processes and systems, while continually delivering service excellence to our community.
- 4.4.4 From the outset – Council recognised that for the merge to be successful – it was important the organisation felt blended rather than either of the former organisations feeling subordinate – or a feeling of a ‘takeover’.
- 4.4.5 Our focus on culture, our philosophy of working smarter and more efficiently, and our emphasis on building organisational capability and creating functional structures with employees, have enabled us to establish and align appropriate strategic objectives, resources, policies processes and networks while continuing to serve our community.
- 4.4.6 Despite the growing concern with skill shortages and a highly competitive labour market – Council has focused and placed a high priority on developing the talents of its workforce and investing in workforce development strategies, building our leaders capabilities and providing them with opportunities to grow their careers - as our point of difference to retaining and attracting skilled personnel.
- 4.4.7 The resultant dividend of investing in our people speaks for itself – our ability to realise significant efficiencies and importantly effectively compete with the external market in terms of providing services for our community.
- 4.4.8 Indeed, Council’s success in transitioning and/or acknowledging our progress has been recognised on numerous occasions. Some of the more notable acknowledgements received by Council include:
- *Innovative Leadership and Management 2017* - Highly Commended by Local Government Professionals – an award focussed on the implementation of a comprehensive program to transition the former Councils to the new CBCity.
  - *HRD Best Change Strategy 2018* – Winner – an award focussed on the change strategy using Kotter’s Change Model.
  - *AHRI Wayne Cassio Organisational Development Award 2018* - Finalist - an award focussed on the change strategy using Kotter’s Change Model.
  - *Organisational Change 2021* - Winner - Local Government Professionals – an award focussed on the framework and principles that underpinned our decision making in response to the COVID-19 pandemic.

- *People Workplace and Well-being* - Highly Commended – Local Government Professionals – an award focussed on CBC Reimagined – how we are thriving following the COVID-19 pandemic.
- *AR Bluett Memorial Award 2022* – Winner – an award which recognises the most progressive council in all aspects of council operations and services.

4.4.9 Notwithstanding the diverging views on amalgamations – it must be acknowledged that the above is largely made possible and/or indeed attributable to Council having the strategic capacity to be able to both invest and realise the benefits that one would expect of larger local government entities.

#### **4.4 Our Financial Management Strategy (FMS) and Long-Term Financial Plan (LTFP)**

4.5.1 Council’s financial position, FMS and its LTFP is well documented. Indeed, the above implications and shortfall in funding inherently were/are issues associated with the former councils – and now requiring Council to address in setting its path to ensure its ongoing financial sustainability.

4.5.2 As Councillors would be aware, the first important step to addressing our financial constraints was determined by our inaugural Council, as follows:

- **February 2021** – Council endorse the required pathway/strategy and measures to ensuring our financial sustainability – Attachment K – *Rates Harmonisation & Financial Sustainability*; and
- **May 2021** - IPART’s subsequent endorsement of Council’s Special Rate Variation – Attachment L – *Special Variation & Minimum Rate Application Canterbury Bankstown Council*.

4.5.3 Broadly, the objectives of the SRV was to:

- Establish required funding to enhance certain service/operational levels;
- Start to address unfunded asset replacement / backlog requirements; and
- Fund our Leisure and Aquatic Strategic Plan.

4.5.4 Council’s approved SRV will see Council raising a further \$40M in rating income by 2025/26. A breakdown of the funding and its application is as follows:

SRV FUNDING	ANNUAL \$M
Restore Former CCC Infrastructure Levy	5
Additional Funding – Asset Replacement	26
Additional Funding – Service Enhancement	4
Additional Funding – Leisure & Aquatics Strategy	5
<b>TOTAL SRV FUNDING</b>	<b>40</b>

Council’s SRV will be implemented over the coming four financial years – allowing Council to progressively transition to addressing/delivering on the above objectives.

4.5.5 In noting the above, Councillors should also be mindful of:

- Despite reflecting the approved SRV funds in our LTFP, our asset management plans suggest that a further/additional \$20M per annum is required to ensure that our asset base remains at the optimum level – that is, fully funding annual depreciation expense. That said, Council is confident that over time it will be able to manage the above gap by identifying opportunities to bring about further efficiencies in our operations and rationalising existing assets/facilities in responding to our community’s needs.

4.5.6 Naturally, any demerge business case will also need to consider the above issue and importantly each former Council’s financial capacity to address/manage its financial impact.

Council’s Financial Management Strategy and Long-Term Financial Plan is attached for Councillors information – Attachment M.

## 5. DE-AMALGAMATION CONSIDERATIONS

### 5.1. Would De-amalgamating Be Better for Our Community

5.1.1 The motivation, rationale and indeed, community sentiments are often central in any debate concerning amalgamations and de-amalgamations.

Fundamentally, the challenge to structural reforms is to balance two seemingly opposing views/agendas, being:

- The need for increased scale and capacity that will enable councils to remain sustainable, efficient, provide adequate services and be valued partners in the system of government; and

- Keeping the ‘local’ in local government so that community identity and local representation are maintained – ideally being responsive to ‘political’ and ‘street-level’ concerns.

5.1.2 Polling conducted by the ILGRP (*Attachment P – Page 73*) at the time of their review interestingly found that:

- *For the overwhelming majority of people, issues of local government operations and reform are not ‘top of mind’;*
- *When amalgamation proposals are first raised, they lack majority community support and attract strong opposition from a substantial minority – around 25% - 30%;*
- *However, when people are prompted to give a more considered view, there is a much more even split between those in favour and those opposed;*
- *Supporters of amalgamation point to potential efficiencies, savings and improvements to services; and*
- *Opponents are chiefly concerned about loss of identity and representation, as well as the risk of large, inattentive bureaucracy.*

The ILGRP’s findings were not too dissimilar with Council’s experience and/or observations when engaging with our community on our SRV. Once the basis for the change was carefully explained to interested ratepayers/residents, they understood/appreciated the basis of and/or reasons for the SRV.

Naturally, there are certain parts of our community that will have a fixed view and/or ideology regarding the matter – though in the main, Council’s experience is that most ratepayers/residents are far more concerned about broader economic and social issues such as the cost-of-living, employment and safety rather than Council’s logo or ward and/or local government boundaries.

Overwhelmingly – ratepayers/residents generally expect councils to efficiently provide services in an efficient and timely manner – and ensure overall value for money.

5.1.3 Despite being forced to merge, Council has been able to demonstrate that as an amalgamated entity, it has had a greater propensity to achieve and deliver – in terms of scale and capacity – than what each former Council would have been able to achieve individually.

- 5.1.4 That said, some Councillors and residents will always prefer more local than larger/regional Councils – perceiving that they provide certain inherent advantages, such as:
- Greater access to Councillors / representation;
  - Greater flexibility in setting service levels and local issues;
  - Greater influence on outcomes and operations; and
  - View that smaller councils are more responsive to community needs.
- 5.1.5 Ultimately, the opportunity for Council is being able to achieve both the benefits of scale and capacity whilst at the same time being locally responsive to their community's needs.
- 5.1.6 Councillors and our community need to objectively consider and determine what is in the community's best interest. If ratepayers are being asked to foot the bill, then residents must also be given timely and accurate information about what the benefits, disadvantages, cost and likely impacts of any proposed change would be.
- 5.1.7 To further assist Councillors on the matter, this report provides further analysis which may assist with Council's ultimate decision on the matter.

## **5.2. Relevance of Scale and Capacity**

- 5.2.1 In discussing the appropriateness of de-amalgamating – it's important in part to reflect/consider some of the issues facing local government in NSW and what it generally means for councils in the future.
- 5.2.2 For decades, local governments focus has centred on amalgamations, cost-shifting, rate-pegging and demands for more state and federal funding. Meanwhile the financial sustainability of many councils – and their capacity to deliver the services communities need – has arguably declined.
- 5.2.3 Notwithstanding the 2016 reforms to merge several Metropolitan Councils – the Sydney region has largely remained unchanged for half a century. Despite the modernisation and advances in all service sectors – Australia's global city is still divided amongst thirty-four (34) councils.
- 5.2.4 The ILGRP's (*Attachment P – Page 7*) finding suggest that:
- many metropolitan councils lack the scale and resources to play an important role in metropolitan Sydney;
  - there is deepening divide between a privileged east and a struggling west; and

- gaps in coordination amongst State agencies have made matters worse.
- 5.2.5 The ILGRP (*Attachment P – Page 7*) strongly suggested that there was a need to revitalise the system of local government to ensure that it will remain sustainable and fit-for-purpose well into the middle of the 21<sup>st</sup> Century – and amalgamations is one important part to achieving this.
- 5.2.6 Arguably, the benefits of larger local government councils provide a greater opportunity, ability, and importantly the capacity to both deliver on the strategic and economic growth throughout the region and locally deliver on the required services and infrastructure for their community's.
- 5.2.7 Indeed, the discussion is not isolated to NSW only. Interestingly, the ILGRP (*Attachment P – Page 32*) quote the Queensland Local Government Reform Commission review where they argued that:

*The challenges confronting Queensland in the coming decades require governments of all levels to be high capacity organisations with the requisite knowledge, creativity and innovation to enable them to manage complex change....This requires a local government structure which responds to the particular characteristics of the regional economies emerging over the coming decades, recognising communities of interest are developing rapidly and differently across the regions due to improved transportation, telecommunications and economic interdependencies. This structure needs to give rise to local governments capable of responding to the sometimes quite diverse demands by these communities and of enough size and scale to generate cost efficient and effective services.*

- 5.2.8 The Panel (*Attachment P – Page 32*) note that the concept of strategic capacity highlights this aspect of reform, particularly:
- the need for councils to shift their focus towards a more strategic view of their operations;
  - to have the ability to respond to the diverse and changing needs of different communities; and
  - to take on new functions or deliver improved services in order to meet those needs.
- 5.2.9 The above implies a move to larger, more robust organisations that can generate increased resources through economies of scale and scope, and then 'plough back' efficiency gains into infrastructure and services.
- 5.2.10 The ILGRP (*Attachment P – Page 32*) identified that the key elements of strategic capacity in local government are measured by the following attributes:

- having a 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; and
- High quality political and managerial leadership.

5.2.11 Whilst we continue to grow and evolve – Council’s journey to-date is a notable example that when executed effectively – amalgamations can and do work.

5.2.12 In reflecting on the above key elements – Council has been able to successfully work-through, demonstrate and in most cases fulfilled the outcomes expected of having the right/appropriate strategic capacity.

5.2.13 Ultimately – the decision as to what is best and/or most effective - should be balanced and based on appropriate data/information - and importantly supported by our community.

### **5.3. Maintaining Local Identity**

5.3.1 Opponents of larger amalgamated councils tend to rely heavily on the argument that local identity is lost in bigger local government areas; that larger councils will pay less attention to specific needs of different suburbs or neighbourhoods and will fail to take steps to maintain their character.

5.3.2 Interestingly, the ILGRP (*Attachment P – Page 78*) found no evidence that loss of local identity is an inevitable consequence of creating larger local government areas – though it did indicate that in some rare cases where communities are so different, or so fiercely independent, that forcing them to share a local council is considered unwise.

5.3.3 That said, the ILGRP (*Attachment P – Page 78*) also acknowledged that a greater effort needs to be made after an amalgamation, or in large, growing local

government areas, to maintain a sense of local identity and place. The ILGRP (*Attachment P – Page 78*) indicate that many established large councils have successfully done this – applying the concept of *place management* – which ultimately looks to retain the emotional attachment/connection, sense of place and uniqueness.

- 5.3.4 Indeed, the concept is not new – and was well established in both former councils. Whilst our new Council’s transition has focused on providing a strong governance framework, scale and capacity and financial security for our City – equally we have ensured that we acknowledge the concept of place as a fundamental principle for our City – and that it features prominently as an important strategic principle/driver in its LSPS.
- 5.3.5 Having harmonised the organisation, the current focus is now on providing, promoting and delivering on agreed ways to maintain and support local identity and the unique characteristics of our suburbs and Wards.
- 5.3.6 That said, Council’s approach also needs to be measured and balanced – ensuring equity across the entire local government area whilst also preserving our financial sustainability.

Naturally, fulfilling our community’s demand for increased services and facilities comes at the expense/cost of managing our assets and servicing our liabilities.

Indeed, the former Canterbury City Council’s Long-Term Financial Plan clearly recognised the need to cut services and increase user charges and fees in order to generate additional funding for the replacement of assets – measures which CBCity needed to address/manage in addressing its LTFP.

#### **5.4. Assessment of Local Representation & Population**

- 5.4.1 Councillor representation and population size are often the subject of debate when determining an optimum size of a local government area.
- 5.4.2 Councillors are largely required to carry out a dual role – that being a *member of the governing body* and that of an *elected person/official*.
- 5.4.3 Generally, a Councillor’s role – in terms of a *member of the governing body* – is seen as deliberative - including planning, resource allocation, policy development and performance monitoring. These functions give rise to the concept of Councillors forming and behaving as a *board of directors*.
- 5.4.4 Equally, the role of the Councillor is required to represent and/or advocate on behalf of their constituents – which is what is often seen/observed and/or expected of Councillors by our community.

5.4.5 In considering the matter further – it’s important to understand what the span of population and population per Councillor ratios are amongst the larger Metropolitan Councils. A snapshot of the data is as follows:

**Larger Metropolitan Councils – OLG Group 3 Category  
OLG Data – 2019/2020**

COUNCIL	POPULATION	POPULATION / COUNCILLOR
Canterbury Bankstown	377,917	25,194
Blacktown	374,451	24,963
Northern Beaches	273,499	18,233
Parramatta	257,197	17,146
Sydney	246,343	24,634
Cumberland	241,521	16,101
Sutherland	230,611	15,374
Liverpool	227,585	20,690
Fairfield	211,695	16,284
Inner West	200,811	13,387
Bayside	178,396	11,893

5.4.6 If we were to purely focus on a Councillor role being as a *member of the governing body*, then arguably the size of the Council and/or its population is of a lesser consequence - given that the nature of decision-making amongst councils is similar and/or consistent.

5.4.7 Conversely, the issue is somewhat different when assessing it from the perspective of an *elected person/official* – where the ratio of population per Councillor would be a more important factor in fulfilling one’s role.

5.4.8 Interestingly, when reviewing Council’s Merger Proposal - the Local Government Boundaries Commission Report (*Attachment J – Page 7*) indicated that:

*“Given modern communications technology, the Delegate did not believe that implementation of the proposal would adversely affect the representational rights of electors in the proposed new area. He did, however, concede that the high level of disadvantage and proportionately lower socioeconomic characteristics of the area were a factor to be considered. He noted that while the facts under this criterion are not in favour of the merger proposal, they did not constitute a significant argument against it.”*

5.4.9 Based on this – the Boundaries Commission determined that their view was that the Delegate adequately considered this issue.

- 5.4.10 Arguably, the issue is not necessarily about increasing the number of Councillors, but more about how best to effectively manage the volume, workload and/or burden placed on Councillors in fulfilling their role as an elected official.

Naturally, Councillors have the option to increase the level of administrative support and/or facilities to assist with the issue, though more importantly, a greater focus should be placed on advocating for the role shifting from largely being a ‘volunteer’ role to more of a professional, full-time one, which is appropriately remunerated – similar to that of members of parliament at the State and Federal levels and indeed the approach taken by other States with regards to the issue.

- 5.4.11 Nevertheless – the information is quite important when considering the matter. Councillors are best placed to assess the significance, their ability to respond and associated workload that comes with representing constituents from each Ward and more broadly the entire community.

## **5.5. The Role of the NSW Boundaries Commission**

- 5.5.1 In cases where a council does – in accordance with *Section 218CC* of the *Local Government Act 1993* - submit a *Business Case* to the Minister to de-amalgamate, then:

*The Minister must, within 28 days after the business case is submitted, refer the de-amalgamation proposal to the Boundaries Commission with a direction that it conduct an inquiry and report on the proposal (Section 218CC (2))*

- 5.5.2 Where the Minister receives a proposal and refers it to the Boundaries Commission, the Commission is required to assess the proposal based on the following criteria:

### ***Functions of the Boundaries Commission – Section 263(3)***

*When considering any matter referred to it that relates to the boundaries of areas or the areas of operations of county councils, the Boundaries Commission is required to have regard to the following factors—*

- *the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned,*
- *the community of interest and geographic cohesion in the existing areas and in any proposed new area,*
- *the existing historical and traditional values in the existing areas and the impact of change on them,*

- *the attitude of the residents and ratepayers of the areas concerned,*
- *the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area,*
- *the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities,*
- *the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned,*
- *the impact of any relevant proposal on rural communities in the areas concerned,*
- *in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards,*
- *in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented,*
- *such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas.*

5.5.3 Indeed, Councillors would be aware that the Boundaries Commission were required to originally assess the proposed merger of BCC and CCC – where they supported the Delegate’s key recommendation that *the proposed merger should proceed.*

5.5.4 Whilst it is uncertain as to what their approach and/or comment would be however, one would image that any De-amalgamate Business Case would need to be both compelling and/or be able to overwhelmingly demonstrate/articulate that the Boundaries Commission’s original assessment was now not in the public interest.

5.5.5 Interestingly, since the 2016 amalgamations, there have been two de-amalgamation proposal put to the Minister, being:

- De-amalgamate the existing Snowy Valley Shire – back to the former Tumbarumba Shire and Former Tumut Shire; and
- De-amalgamate the existing Cootamundra Gundagai Regional Council – back to the former Gundagai Shire and former Cootamundra Shire.

The outcome of these proposals are as follows:

COUNCIL	BOUNDARIES COMMISSION	COMMISSIONER(S) DISSENTING REPORT	MINISTER
<b>Snowy Valley</b>	Proposal <i>be</i> Implemented	1 Commissioner recommended Proposal <i>not</i> be implemented	De-amalgamate <b>Not</b> approved by Minister
<b>Cootamundra Gundagai</b>	Proposal <i>not</i> be implemented	2 Commissioners recommended Proposal <i>be</i> implemented	De-amalgamate <b>Not</b> approved by Minister

5.5.6 A copy of the Local Government’s Boundaries Commission Report for both of the above de-amalgamate proposals are attached for Council’s information – Attachment N and O.

## 5.6. Potential Operational Risks arising from De-amalgamations

5.6.1 In considering the matter, there are a number of significant potential financial and non-financial operational risks arising from the particular de-amalgamation that Councillors will need to consider – particularly given the passage of time and changes that have occurred since merging – some six years ago.

5.6.2 These risks can be managed, though it is important that Councillors are cognisant of them in considering the matter. Some examples of issues to be considered include:

- Transition structure, approach and process for the de-amalgamation;
- Transitional costs – beyond those funded by NSW Government - may be more significant than originally identified – and will need to be funded by the proposed/former councils – as was the case when merging the former councils;
- Efficiencies and/or economies of scale generated by CBCity and projected in this analysis may not be delivered by the new councils;

- Implementation costs may be higher, due to structure changes required to deliver similar strategic capacity for each of the two Councils;
- Decisions subsequent to the de-amalgamation may increase cost base of the de-amalgamated Councils – that is increasing service levels will come at a cost;
- Establishing a fully functioning new organisational structure, given some skills are difficult to source in the current employment market;
- The cultural separation of the CBCity organisation may not go well resulting in low morale, increased staff turnover rate, etc. This would reduce business performance and prolong the time it takes for transition to effectively operate the new councils;
- Service levels have risen across the merged CBCity community dissatisfaction may occur if services are returned to the original levels; and
- The financial performance of the de-amalgamated Council is less than that modelled, resulting in the need to either reduce services, find efficiency gains and/or further increased rates to address the operating deficit.

5.6.3 The risks from a two Council de-amalgamation will have challenges associated with unpacking and establishing new service levels, organisational operating procedures, systems, processes, policies, plan and organisational behaviours.

5.6.4 Perhaps the largest risk arises from the fact that the future councils, who will make many of these key decisions, are yet to be elected. Their political alignment, policy program and priorities will not be known for some time and may impact on the realisation of any planned benefits.

5.6.5 Ultimately, given the passage of time and importantly now having established a more accurate representation of the former Canterbury City Council's financial position - the notion of suggesting that a de-amalgamation will allow the former Council's to return to 'the way it was before' is unrealistic.

Both former Council's LTFP's – and subsequent findings identified by CBCity - suggest the need for significant reforms needing to be made for both former entities if they are to remain sustainable.

5.6.6 Separately, a copy of the NSW ILGRP's final report – *Revitalising Local Government* is attached (Attachment P) for Councillors information – which provides an in-depth assessment of our sector and suggested

reforms – particularly the ILGRP on pertinent issues such as scale and capacity and amalgamations.

## **5.7. Understanding the Likely Cost to De-amalgamate**

### **5.7.1 Overview of Findings**

5.7.1.1 Council commissioned Morrison Low (ML) to provide an independent high-level assessment of the likely financial impact and other considerations associated with a de-amalgamation – Attachment Q.

Having regard to Council's scope (refer to Section 2.4), ML's report assesses several key themes, including:

- Estimating high-level ongoing financial costs and savings including changes to service/asset costs derived from the merger;
- Estimating the one-off de-amalgamation costs;
- Government funding of one-off de-amalgamation costs;
- Distribution of ongoing merger costs and benefits identified by CBCity;
- Identifying capacity and operational benefits for the merged council;
- Scale and capacity benefits for the merged council;
- Limited financial assessment and performance against some of the OLG performance indicators; and
- Considering the potential risks

5.7.1.2 Whilst Councillors are encouraged to carefully consider ML's comprehensive report, the more pertinent findings/details of the report are noted/highlighted that:

- Council identified and has/is implementing several key strategies to ensure the ongoing viability for CBCity as a sustainable service provider;
- Having an established comparative starting point for the former councils and CBCity, their assessment confirmed that there was an estimated financial gap between the former Councils and CBCity's current financial position of some \$34M – which in effect supports/substantiates that Council's decision to apply for the SRV that directly stems from the LTFP constraints of the former councils;

- The financial difference is justified and aligned to the proposed initiatives of the former councils, that were identified prior to the merger but not implemented, and the asset management review outcomes of the former councils, undertaken by CBCity; and
- Despite the funding gap - the merger harmonisation process separately generated operational improvement benefits that have positively impacted the financial expenditure structure of the Council by around \$21M.

## 5.7.2 Costs and Benefits

5.7.2.1 Having carried out a high-level financial assessment, the review estimates that the *one-off de-amalgamation costs* for each proposed / former Council would be as follows:

DESCRIPTION	CCC \$M	BCC \$M	Total \$M
One-Off /Upfront Costs	24.0	29.2	53.2
One-Off / Upfront Costs – Campsie Admin	13.0	-	13.0
<b>TOTAL ONE-OFF / UPFRONT COSTS</b>	<b>37.0</b>	<b>29.2</b>	<b>66.2</b>

5.7.2.2 A detailed explanation of the nature of the *one-off / up-front costs* are explained in ML’s report on pages 20 – 24.

5.7.2.3 ML have assumed that if the Minister approved a Business Case to demerge, then the NSW Government will fund Council’s *one-off upfront costs*, totalling \$66.2M – which incorporates the cost of \$13.0M to renew the Campsie Administration Building – see section 5.8 of this report.

In submitting a Business Case, certainly the decision regarding who funds both upfront and ongoing/recurrent costs plays a significant part in any decision that Council makes and indeed what the Minister may decide/determine.

In accordance with *Section 218CC(6)) of the Act*:

*The Minister is, by making grants under section 620 or using money otherwise appropriated by Parliament for the purpose, to ensure that the cost of any de-amalgamation of the new area resulting from a business case submitted under this section is fully funded.*

Based on the above, it is arguable whether *the cost of any de-amalgamation* refers to the *upfront costs* only or indeed includes the expected *annual ongoing/recurrent costs* that would apply each year forever.

Naturally, Councillors will need to carefully consider how a Business Case best articulates what proposed funding model should apply if Council were to de-amalgamate.

That said, one would imagine that the Minister’s decision would consider the financial impact of a Business Case and apply a *public interest* test when considering what the NSW Government would in fact consider to be appropriate/feasible in funding a proposal.

While it is reasonable to expect the whole cost of the de-amalgamation of the new area resulting from a business case submitted to be fully funded as per the legislation, if Council were to consider any other option to fund ongoing costs, this would be borne by ratepayers and residents through either increased rates, a reduction in services or a mix of both. Councillors will need to consider this mix in selecting an option for the business case, should it choose to submit one. The ongoing costs are explored in the next section of this report.

5.7.2.4 Separately, the report identifies an allocation of CBCity’s estimated *ongoing/recurrent savings & costs* needing to be re-instated for the proposed de-amalgamated councils. The allocation is based on both councils having similar levels of services, restoring/re-stating estimated savings, efficiencies and/or economies of scales derived by CBCity and applying obligations that were not in place prior to the merger.

A summary of the estimated *ongoing/recurrent savings & costs* that would need to be re-instated for each proposed/former council is as follows:

DESCRIPTION	CCC \$M	BCC \$M	Total \$M
Governance Costs	0.5	0.7	1.2
Operational Assets	0.6	0.2	0.8
Organisation and Corporate Planning	5.0	6.4	11.4
Workforce Resourcing	3.3	4.2	7.5
<b>TOTAL ONGOING / RECURRENT COSTS</b>	<b>9.5</b>	<b>11.4</b>	<b>20.9</b>

5.7.2.5 A detailed explanation of the nature of the ongoing / recurrent costs are explained in ML’s report on pages 11-14 and pages 20-24.

5.7.2.6 Based on the above and by way of an indicative illustration – the estimated average rates (includes both Residential and Business) for each proposed/former council would be as follows – excluding all one-off/upfront costs funded by the NSW Government:

DESCRIPTION	CCC \$	BCC \$	Total \$
Ongoing / Recurrent Costs (\$,000)	9,478	11,422	20,900
Rates Assessment	54,243	69,003	123,246
<b>AVERAGE ANNUAL INCREASE – RESIDENTIAL &amp; BUSINESS</b>	<b>175</b>	<b>166</b>	<b>170</b>

5.7.2.7 Whilst the above is an indicative average based on all properties throughout our local government area, the likely increase for ratepaying properties – excluding those who pay a minimum rate is as follows:

DESCRIPTION	CCC \$	BCC \$	Total \$
Ongoing / Recurrent Costs (\$,000)	9,478	11,422	20,900
Rates Assessment – Number of Properties	31,795	46,144	77,939
<b>AVERAGE ANNUAL INCREASE – RESIDENTIAL &amp; BUSINESS</b>	<b>298</b>	<b>248</b>	<b>268</b>

5.7.2.8 Additionally, if Council were to quarantine businesses from the impact of any rate increase, as a result of de-amalgamating, (assuming this option is chosen) the average increase that would need to be borne by residential properties only (excluding minimum rated properties) would be as follows:

DESCRIPTION	CCC \$	BCC \$	Total \$
<b>Ongoing / Recurrent Costs (\$,000)</b>	9,478	11,422	20,900
<b>Rates Assessment – Number of Properties</b>	29,528	42,169	71,697
<b>AVERAGE ANNUAL INCREASE – RESIDENTIAL ONLY</b>	<b>321</b>	<b>271</b>	<b>292</b>

5.7.2.9 As Councillors would appreciate, whilst the above figures are indicative averages, the estimated increase between suburb to suburb will vary greatly given the wide-ranging land valuations across each proposed/former local government area.

By way of example – if we were to focus on residential properties (and exclude minimum rated properties) only – the estimated average increase for each suburb would be as follows:

**Former Canterbury City Council - Average Suburbs Impact  
Residential Ratepayer Only (excluding Minimums)**

<b>SUBURB</b>	<b>ANNUAL INCREASE Including Business Properties \$</b>	<b>ANNUAL INCREASE Excluding Business Properties \$</b>
Ashbury	297	418
Hurlstone Park	290	409
Earlwood	274	386
Croydon Park	271	382
Campsie	244	343
Canterbury	237	333
Kingsgrove	209	294
Belfield	208	293
Clemton Park	207	291
Riverwood	207	291
Narwee	205	289
Lakemba	204	287
Wiley Park	202	284
Belmore	201	283
Beverly Hills	195	275
Punchbowl	193	272
Roselands	187	264

**Former Bankstown City Council - Average Suburbs Impact  
Residential Ratepayer Only (excluding Minimums)**

<b>SUBURB</b>	<b>ANNUAL INCREASE Including Business Properties \$</b>	<b>ANNUAL INCREASE Excluding Business Properties \$</b>
Lansdowne	252	355
East Hills	221	312
Bankstown	209	295
Padstow Heights	206	290
Potts Hill	205	289
Picnic Point	205	288
Padstow	200	282
Greenacre	200	281

SUBURB	ANNUAL INCREASE Including Business Properties \$	ANNUAL INCREASE Excluding Business Properties \$
Condell Park	199	280
Mount Lewis	196	276
Panania	194	273
Revesby	193	272
Yagoona	184	259
Milperra	183	257
Sefton	181	256
Revesby Heights	180	253
Birrong	178	251
Chester Hill	178	250
Bass Hill	176	247
Georges Hall	175	246
Villawood	173	243
Regents Park	163	230
Chullora	-	-

5.7.2.10 If ongoing costs are not funded by the NSW Government (assuming this option is chosen), then the above increases would be in addition to the current SRV being implemented by CBCity.

5.7.2.11 ML have indicated that the estimated de-amalgamation costs (excluding Campsie Administration Centre) are largely within the ranges of the de-amalgamation costs associated with the Queensland's demerger experience and Wellington's reorganisation and therefore are reasonable to be used for comparative assessment of the de-amalgamation proposal for CBCity.

5.7.2.12 Whilst the high-level assessment has provided some general understanding of what the financial impact may be if a de-amalgamation were to proceed – the assessment should be considered as being a minimum cost – given that experience suggests that estimates tends to rise as more detailed assessments/reviews are carried out. That said, the indicative financial impacts noted above are considered adequate/appropriate to use in preparing a business case to the Minister, and/or to consult with our community if Council determines to do so.

Naturally, Council may seek a more comprehensive/forensic 'line-by-line' examination to accurately test and validate all the costs and benefits that the de-amalgamated councils would need to incorporate into their operational structures – though the exercise would not be

considered an ideal return on investment.

## **5.8. Campsie Administration Centre**

5.8.1 Evidently - and given its significance - any decision to de-amalgamate will need to carefully consider how to address the future outcome of the Campsie Administration Building (the Building).

5.8.2 As Councillors would have noted above, Council's one-off /upfront costs to de-amalgamate incorporates an estimated \$13M to make-safe and appropriate for use as Council's Administration Building, given its numerous constraints/limitations.

5.8.3 To assist with the matter, it's important that Councillors are aware of relevant information in determining its decision, particularly to understand:

- The background and/or history associated with the existing building/site;
- the Buildings useful-life, condition, limitations and compliance issues;
- the likely cost to remediate the Building to meet relevant Australian Standards - importantly to ensure it is fit-for-purpose; and
- assess the opportunity cost of remediating the existing building versus constructing a new/equivalent building and development potential for the site - having regard to Council's Campsie Masterplan.

5.8.4 To assist with its assessment, Council has commissioned/obtained an independent report – Attachment R – to both evaluate and/or appraise the above.

Whilst Councillors can carefully analyse the independent report – the main elements identified/confirmed in the report are outlined below.

### **5.8.5 Background / History**

- In 1963, the former Canterbury City Council constructed the Campsie Administration Building (the Building) – which incorporated the former Council's administrative functions, customer service and Council Chambers.
- In 2007, the former Council commenced a process to investigate the feasibility of redeveloping the Campsie Civic Centre Precinct – particularly the option of entering a Public Private Partnership (PPP)

to redevelop the site.

The former Council's proposal/masterplan included the prospect of constructing new Council Chambers, administrative offices, central library and an early childhood health centre as part of the redevelopment.

- Following its investigations – in 2012 the former council had determined that the project was not financially viable/feasible, particularly given the impact of the global financial crisis and the likely cost of delivering Councils required facilities.
- Given its impending redevelopment – very little funding was allocated by the former Council towards maintaining and/or servicing the building – prior to the amalgamation.

#### **5.8.6 Current Condition/Limitations**

- The Building is 59 years old (useful life is 40-60 years) and is nearing the end of its useful life. Council recently prepared a Facility Asset Management Plan – which fortuitously indicates that the remaining life could be extended for another 18 years - subject to regular maintenance and repairs being performed.
- At present, there are several limitations to the functional performance of the Building and non-compliances ranging from public access to the customer service centre, air conditioning reliability, amenity and availability of bathrooms, poor vertical transport (lifts) performance and water ingress.
- Public access to the customer service centre is poor due to the lack of accessible passageway from the car park to the main entry in the Building, with the only alternative means of access via the roadside pathway, which would necessitate a drop off or extensive travel by foot/wheelchair which is impractical.
- The current Council Chambers are not ideally suitable for holding public meetings of Council. Notwithstanding the current maintenance issues, the chambers require additional seating as well as a suitable public gallery separated from Councillors, updated amenities, a compliant and functional kitchen, modern IT equipment and accessibility upgrades.
- Whilst the air conditioning central plant has sufficient capacity to meet the demand, the equipment is approaching the end of its useful life and cannot reliably maintain internal temperatures during periods of peak demand.

- The bathrooms throughout the Building are largely inadequate, extending from the lack of bathrooms for members of the public visiting the customer service centre, including insufficient accessible bathrooms and male staff located in the annexure building.
- Broadly, the Building Code of Australia non-compliance relate to major fire compartmentalisation and essential services coverage throughout the building.
- The external structure of the Building is considered to be fair to poor condition, with statutory compliance and accessibility below industry average with major remedial works required in the short term to ensure they remain fit for purpose.
- The car park surface is in poor condition, with extensive cracking and crazing at stopping and transition points across the car park.
- A major consideration in evaluating the long-term strategy for the Building is to consider the extent of the existing non-compliance and that any major refurbishment will more than likely trigger the requirement to upgrade the Building where the works are significant.

#### 5.8.7 Remediation vs New Office Accommodation – Financial Assessment

- As part of its assessment, Council has sought independent estimates to establish the likely cost to remediate the existing Building - and extend its useful life for a further eighteen (18) years.
- Separately, Council has also compared the above cost with/against the estimated cost of constructing a new building of similar size/footprint, which would offer a fit for purpose building for both Council’s administrative purposes and broader community use.
- Whilst a comprehensive assessment is included in the attached report (Attachment R), a summary of the estimated financial impact is as follows:

DESCRIPTION	Remediate Current Building \$M	Construct New Building \$M
Capital Expenditure – One-off /up-front cost	13.0	19.6
Maintenance Costs – Ongoing / Recurrent Costs – 18 Years	6.8	14.9
<b>Total Cost – Over 18 Years</b>	<b>19.8</b>	<b>34.5</b>
<b>Remaining Useful Life After 18 Years</b>	<b>-</b>	<b>40</b>

Note: After 18 years, the construction of a new building will retain its value (\$20M) to the community as an asset whilst a remediated building will have a zero value – and be a liability which will need to be demolished.

- As Council will note, the likely cost to construct a new A-Grade, purpose-built building of similar size/footprint would cost \$19.6M, some \$7.6M more than simply remediating the existing Building.
- Importantly, after 18 years – assuming the Building is appropriately maintained – a new building will still have a useful life of around 40 years - unlike the existing building, which will likely need to be demolished.
- In terms of its offering - a new Building would also deliver a far healthier, environmentally sensitive solution that enhances the experience and promotes the wellbeing of the staff/occupants, providing a greater level of natural light and air quality.
- Constructing a new building may potentially allow for multiple/additional sources of funding, which will further improve the feasibility and/or opportunity to deliver a viable/sustainable outcome.
- Nevertheless – and for the purposes of estimating our likely one-off / upfront costs – we have utilised the remediation costs/figures in preparing the likely de-amalgamation financial impact.

That said, if Council does determine/resolve to submit a Business Case to de-amalgamate, it may at that point choose to incorporate a *new build* estimate in formulating its one-off / upfront costs which, if approved – will be funded by the NSW Government.

- As Council will clearly note – whilst the option to remediate the existing building may financially be the lowest/cheapest option – it doesn't present an ideal long-term return on investment for Council.

Irrespective of Council's decision to de-amalgamate or not, this Council or a newly formed council, has the opportunity to provide the community a far greater and improved outcome on the current site. This is further explored/discussed in the following section.

#### **5.8.8 Further Options/Considerations Regarding the Building/Site**

- As Council would be aware, *Connective City 2036* - Council's LSPS - identifies Campsie as a strategic centre. The document notes that Council-owned land provides significant opportunities for new community infrastructure.
- Council's land (land where Annex is situated – not current Campsie Administration Building) could act as a catalyst for change in Campsie,

enabling the delivery of new community and cultural facilities; expanded open space; underground car parking; adaptive re-use of the Orion building; or a mix of residential and commercial use.

- This direction has more recently been strengthened through the adoption of the Campsie Town Centre Masterplan which provides that existing community and cultural facilities will be consolidated on the Campsie Civic and Cultural Hub (CC&CH) to support both the current and future populations. This aligns with best practice in community facility design and provision, which recommends a range of different spaces and functions be provided on a single site.
- Council envisions that the CC&CH will provide for the following:
  - The relocation of Campsie library;
  - Green space, including an expanded Loft Gardens;
  - General community use space for meetings, activities or events, including spaces to hire;
  - A base for the delivery of local community services and programs;
  - Services, programs and activities for different user groups, such as young people or older people and multi-cultural communities;
  - Adaptive re-use of the Orion Theatre;
  - Specialist arts and culture spaces and facilities; and
  - A mix of other uses including employment-generating floor space or mixed-use development.
- The co-location of services will enable the pooling of resources and a more integrated and innovative approach to service delivery. Indeed, Council intends to co-locate compatible services, which would enable maximal use of land, for instance through shared, rather than separate, parking areas.
- Council's CC&CH also provides an opportunity to locate community facilities close to public transport and leverage the activity generating uses along Beamish Street. It will provide activity day and night supporting a wide array of user groups. The CC&CH will also respond to the Council's Local Strategic Planning Statement vision to deliver arts and community uses on a consolidated site in Campsie.
- With the new investment in the Metro, the potential identified in the Campsie Town Centre Masterplan and the grant application for funding from WestInvest - provides Council an opportunity to now

deliver a noteworthy outcome for our community.

- Indeed, replacing Council's current building is now a more compelling option when compared to the refurbishment and maintenance of the existing buildings on Site. Clearly, constructing a new building would:
  - provide a more functional and productive workplace, improving both employee and customer experiences;
  - better connect the administrative centre to precinct elements such as the Metro station, open space and active transport assets;
  - better utilise the site, offering additional land use potential anticipated by the Masterplan which can potentially provide revenue to Council;
  - act as a catalyst for additional public and private sector investment in Campsie;
  - benefit from multiple/additional funding sources; and
  - importantly, provide Council with a new building with a usable life of between 40-60 years, rather than the estimated 18 years – if we were to refurbish the existing building.
- Whilst both options provide Council with a way forward – one would conclude that the additional benefits of a new and expanded build, when compared to a remediation/refurbishment, provide a greater long-term economic and social benefit for our community.
- Irrespective of whether Council de-amalgamates or not – Council should carefully consider/contemplate the opportunity that a new CC&CH provides and that CBCity's vision for our existing site and building, continues to be an important initiative that may be realised in the near future.

## **5.9. Separation Program**

5.9.1 As was the case when merging – a comprehensive transition plan will need to be prepared to appropriately guide Council in separating our organisation. Given its criticalness, Council has obtained a high-level assessment/guide from Ernst & Young (EY) - Council's original partner used to merge the former councils - as to the required steps/processes that it would need to consider if a Council were to proceed to de-amalgamate – Email Attached – Attachment S.

5.9.2 Naturally, a detailed proposal would need to be obtained if Council were to proceed with a de-amalgamation, however as a guide, EY initial scope to support a 'separation' exercise would include three (3) phases, being:

DESCRIPTION	ESTIMATED COST \$M
Phase 1: High Level Separation Scoping Costing Exercise	0.1
Phase 2: Detailed Separation Design and Costing Exercise	0.3
Phase 3: Separation Execution Support – 18 months	2.1
<b>ESTIMATED COST</b>	<b>2.5</b>

5.9.2 As Council will note – the likely cost to assist with transitioning our organisation would be in the order of \$2.5M. Council has identified this likely cost as a one-off / up-front cost (part of our estimated \$66.2M) and as such should appropriately be funded by the NSW Government.

## 5.10. Other Considerations / Options

5.10.1 As Council would acknowledge – a decision to de-amalgamate is significant and above-most needs to ensure that it will provide a greater opportunity and/or outcome to effectively deliver on all the essential elements expected from our system of local government.

5.10.2 Whilst the focus of this report is to consider re-establishing the former council areas, it would be prudent/appropriate that Council also consider and/or rule-out other boundary change options or more of an expanded structure, particularly again exploring the opportunity and/or effectiveness of introducing Joint Organisation structures, as suggested by the ILGRP.

5.10.3 Clearly, there are many options – particularly those previously expressed by the former Council's, the ILGRP and certainly more recently the views of parts of our community as to their thoughts on the matter.

5.10.4 In determining its decision, Council should canvas the options noted by the ILGRP (Section 3.12 above) and the alternate options presented by the former councils – as part of their Fit for the Future Improvement Proposals (Section 3.21 and 3.31 above).

5.10.5 Separately, Council may also want to consider the views of ratepayers, residents and particular community groups – such as the Hurlstone Park Association – who have strongly advocated for parts of Canterbury Ward to be amalgamated with Inner West Council – submission to IPART's Fit for the Future proposal attached – Attachment T.

5.10.6 Whilst the options suggested by others departs from Council's intended resolution, it is raised for the awareness of Council in considering this matter.

## 5.11 Council Poll & Community Engagement Plan

Council's resolution of May 2022, separately requested that:

- *This report includes a costed Community Engagement Plan and poll details, inclusive of sources of funding, for Council's consideration; and*
- *In light of the report, Council establish its position and engage with our community and ask them if they support de-amalgamation to restore former Canterbury and Bankstown Councils.*

An assessment of and/or details pertaining to the above is as follows.

### 5.11.1 Council Polls

5.11.1.1 By way of background/information, Council Polls:

- must be conducted on a Saturday, including the Saturday of an ordinary election;
- not mandatory or binding on a Council; and
- conducted to gauge elector's opinion on a matter. That said, Council should note that a large proportion of electors are not necessarily ratepayers in our local government area.

5.11.1.2 Council should also note that:

- Council polls are best conducted during an ordinary election – particularly to limit the administrative cost whilst also providing a greater opportunity to engage with all electors;
- As indicated above - polls are not mandatory and as such if a poll not held on an ordinary election, then:
  - it's highly likely that elector participation would be extremely low; and
  - the likely cost to conduct a stand-alone poll – similar to an ordinary election - costing in the order of \$1.5M - \$2M;
- An assessment of Council's rating database indicates that around 30% of property owners have their notice sent to an alternate address – thereby suggesting/assuming that a large proportion of them may not necessarily be electors in our local government area;

- Business ratepayers are generally not registered to vote – and as such would not participate in a poll. This would mean that up to 8,000 business ratepayers – including their supply chains and employees they represent - would not have their say in a poll – although would likely bear a proportion of any ongoing costs if rates were to increase.

That said, if Council were inclined to consider conducting a poll, then on balance it would be best to wait until the September 2024 Local Government Ordinary Election and carryout the poll at that stage.

5.11.1.3 Council has canvassed the issue of conducting polls with the NSW Electoral Commission (NSWEC). They had indicated that:

- the likely cost of conducting a poll at the next Ordinary Local Government Election would equate to a further cost of 10% to the election – estimated at around \$250K; and
- NSWEC indicated that they would not support running a poll during the next State Government Election – given the inconsistency in State and Local Government boundaries and the likely impact/confusion it would have on administering a poll and electors.

5.11.1.4 In summary - Council Polls held at the time of a Local Government Election are generally considered quite an effective mechanism to engaging with the majority of our ratepaying community.

That said, the important decision for Council is one of timing. Evidently, Council has the option to defer the matter and await the outcome of a Council Poll – though this will ultimately delay Council’s decision by some 2 years – and places the matter in the hands of the next term of Council to determine how it will best proceed on the matter.

## **5.12 Community Engagement Plan (CEP)**

5.12.1 If Council were to proceed to carry out a CEP it would need to be inclusive of both ratepayers (residential and business ratepayers) and residents’ views on the matter.

5.12.2 A comprehensive CEP may consist of the following:

- ***De-amalgamation Community Information Flyer and Survey***
  - A mailout of an informative flyer and hard copy survey to all ratepayers and residents across the city. The survey would be reply paid and have a unique identifier to allow online or hard copy completion of the survey while preventing duplicate responses.

- ***Website and Have Your Say Pages***

- Dedicated website pages and *Have Your Say* page to provide additional background information, links to Council reports and other important pages, frequently asked questions, copies of the flyer (including financial implications of the proposal), information about next steps etc.
- All information would be translated.

- ***Statistically Significant Phone Survey***

- This would involve a detailed phone survey of a random selection of residents to ensure we are gaining information from a representative cross-section of our community.

5.12.3 Whilst the above plan/approach amply provides the whole community the opportunity to have their say on the matter, Council may want to consider complementing the above with other mechanisms/options, including:

- ***Hotline***

- Establish a hotline to enable ratepayers and residents to discuss their matter (the usual translation service would also be available).

- ***Community Information Sessions***

- Face to face and online community information sessions in each ward – to support accessibility and those interested in finding out more about the matter.

- ***Establish Representative Panel***

- Establish a panel of residents;
- Preparation of multiple forums and materials to educate the panel on the issue; and an eventual polling of the panel about the issue; and

The panel would be demographically representative of the residents and businesses in the LGA.

- ***Conduct Council Poll***

- Conduct a Council Poll during the September 2024 Local Government Elections.

5.12.4 The estimated/likely cost to conduct the above is as follows:

DESCRIPTION	ESTIMATED COST \$K
<b>Proposed Community Engagement Plan</b>	
Community Information Flyer and Survey Mailout	210
Survey Return and Analysis	25
Website and Have Your Say Development (including on-line survey and translation)	22
Statistically Significant Phone Survey	25
<b>TOTAL COST</b>	<b>282</b>
<b>Further Community Engagement Options</b>	
Hotline	10
Community Information Sessions	10
Establish Representative Panel	150
Council Poll – Conducted in September 2024 – Ordinary Election	250
<b>TOTAL COST - FURTHER OPTIONS</b>	<b>420</b>
<b>TOTAL COST - COMMUNITY ENGAGEMENT PLAN</b>	<b>702</b>

5.12.5 Naturally Council have been elected as representatives of the community and have the discretion to lodge a business case on their behalf, though if Council were to desire seeking further data from the community to inform its decision on the matter it is suggested that the proposed CEP items totalling \$282,000 be undertaken as a minimum.

If Council resolves to proceed with a consultation, it is proposed to commence the required planning and engagement process immediately. This will enable Council to obtain the community's sentiments on the matter in a timely fashion.

## 6. SUGGESTED OPTIONS

### 6.1 Overview of Options

6.1.1 In progressing the matter, the following suggested options are presented for Council's consideration:

1. ***Do-nothing*** – Council may determine not to proceed with any further consultation and not submit a Business Case to de-amalgamate; or
2. ***Commence an engagement process with our community*** – Council may immediately commence a process of engaging with our community on the matter, providing a number of options for the community's consideration.

The options provided would detail the alternate funding models being:

- a funding model where the NSW Government fund both the estimated up-front and ongoing/recurrent costs to de-amalgamate - in perpetuity;
- a funding model where the NSW Government would only fund upfront costs and Council would need to fund all ongoing costs (this would be borne by ratepayers and residents by increased rates, a reduction in services or a mix of both).

Following the community engagement process, Council consider a further report outlining the outcome of the community engagement process; and determine whether to submit a Business Case to the Minister; or

3. **Conduct a Poll at the next Local Government Ordinary Election** – Council may defer any further consideration of the matter for two (2) years in order to conduct a Poll at the September 2024 Local Government Election; and have the matter considered by the next term of Council; or
4. **Submit a Business Case to the Minister – Full Funding Model** – Council may determine to submit a Business Case to the Minister to de-amalgamate the Council and restore the former Canterbury City Council and Bankstown City Council.

This option would require the NSW Government to fund both the estimated up-front and ongoing/recurrent costs to de-amalgamate - in perpetuity.

*Importantly, this option presents no upfront and/or ongoing financial impact for the Ratepayer.*

5. **Submit a Business Case to the Minister – 10 Year Funding Model** – Council may determine to submit a Business Case to the Minister to de-amalgamate the Council and restore the former Canterbury City Council and Bankstown City Council.

This option would require the NSW Government to fund the estimated up-front cost to de-amalgamate as well as the annual ongoing/recurrent de-amalgamation costs for 10 years – to coincide/equate with the new council's Community Strategic Planning (CSP) framework cycle as required under *the Act*.

This option would give the new councils 10-years to consider how best to manage and/or fund the ongoing/re-current de-amalgamation costs (beyond the initial 10-year period) when developing their CSP

and suite of Integrated Planning and Reporting requirements – particularly their Delivery and Long-Term Financial Plans.

*This option provides the new council 10 years to determine how best to fund the ongoing/recurrent de-amalgamation costs and whether there would be any or ongoing financial impact for the Ratepayer beyond that period.*

6. **Submit a Business Case to the Minister – Service and Funding Review Model** – Council may determine to submit a Business Case to the Minister to de-amalgamate the Council and restore the former Canterbury City Council and Bankstown City Council.

This option would require the NSW Government to fund the estimated up-front cost to de-amalgamate whilst the annual ongoing/recurrent de-amalgamation costs be funded by either increasing rates and/or cutting services – as part of Council’s de-amalgamation Business Case.

*This option presents a financial impact for the Ratepayer and/or a reduction in service levels.*

- 6.1.2 Irrespective of what option Council may determine to pursue – it is also suggested/recommended that if a Business Case was to be submitted to the Minister, that Council emphasise that Council/Councillors be left to oversee any transition process and that no Administrator be appointed.
- 6.1.3 If Council were to consider Option 2 above, a suggested Community Engagement Plan would be as follows:

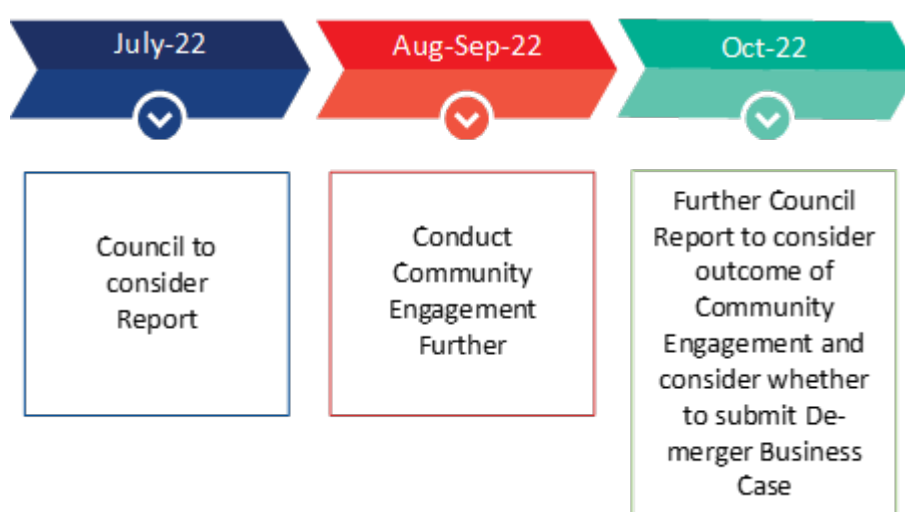
#### **Stage 1 - Community Engagement**

- Prepare and distribute a Community Information Flyer, establish website content and conduct a phone survey – refer to 5.12.2 above.
- It is suggested that the further engagement options noted in 5.12.3 above are *not* carried out by Council, as part of this process.
- In terms of the likely financial impact on Residential Ratepayers – Council’s consultation process convey its position on its suggested funding model – whereby the impact to Ratepayers would be equivalent to the ‘Annual Increase Excluding Business Properties’ – see Section 5.7.2.9;
- As outlined in 5.12.4 the estimated costs to conduct the above is as \$282,000. This funding would need to be accommodated as part of the forthcoming quarterly review process.

- If Council were to agree to proceed, it is proposed that the Mayor, in consultation with Councillors and the General Manager, finalise the content and distribute the flyer, as required.
- It is recommended that the community be given four (4) weeks to respond to the Community Information Flyer.

***Stage 2 - Considering a Community Engagement Outcome and Preparation of Business Case***

- Following the completion of Stage 1 above – and as a guide - Council may want to consider navigating through the following suggested steps/process and timeframe.



- Subject to Council further considering the matter at its Ordinary Meeting in October 2022, Council may then resolve to formally seek the Minister’s support to de-amalgamate. In doing so, Council will need to be mindful of and/or do the following:
  - Submit a written Business Case within ten years of the constitution of our new area, which in our case would be by May 2026;
  - The Business Case would require Council to submit a proposal for the de-amalgamation of Canterbury Bankstown Council – either seeking to re-establish the former Councils or alternatively proposing a different option for the Minister to consider; and
  - Articulate the reasons in support of the proposal.
- As has been mentioned earlier, councils have not been provided with details of what the process would be and/or what the contents of a Business Case would include, though the Minister has indicated that it

is for the council to determine how best to frame the contents of a proposal.

- Notwithstanding the above, a Business Case proposal would most likely resemble and/or cover the themes/criteria required by the Local Government Boundaries Commission – as set out under in *Section 263(3) of the Act* (see the above section - *The Role of the NSW Boundaries Commission*).
- That said, Council may also wish to further consider other certain/pertinent issues prior to deciding to prepare a Business Case to de-amalgamate, particularly in terms of whether:
  - a more comprehensive/forensic examination be carried out to accurately test and validate all the costs and benefits that the de-amalgamated councils would need to incorporate into their operational structures;
  - Council needs to liaise/consult with other local government entities/councils – if there is any impact on them;
  - If submitted well in advance, should Council’s Business Case seek to implement the de-amalgamation to coincide with the next Local Government Ordinary Election in September 2024;
  - Council choose to wait until September 2024 and conduct a Council Poll as part of the 2024 Local Government Ordinary Elections – where it will again provide our community the opportunity to have their say on the matter – likely cost of this process will be around \$250K.
- Whilst the above points will be canvassed in more detail as part of its subsequent report, they are pertinent issues that Council should be both mindful of and/or start considering – given their implication.
- Alternatively, Council may decide not to proceed any further with matter, at the time.