

**Richard Pearson
Delegate**

20 April 2016

Ref: A1435462

The Hon Paul Toole
Minister for Local Government
GPO Box 5341
Sydney NSW 2001

Dear Minister,

COUNCIL BOUNDARY REVIEW: Merger Proposal

**Manly Council
Pittwater Council
Warringah Council**

Please find attached my examination report for the above merger proposal.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'R. Pearson', written in a cursive style.

Richard Pearson

cc: Mr Bob Sendt
Chairperson
Boundaries Commission
GPO Box 5341
Sydney NSW 2001

COUNCIL BOUNDARY REVIEW

EXAMINATION REPORT

Merger Proposal:

**Manly Council
Pittwater Council
Warringah Council**

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1.0 EXECUTIVE SUMMARY

In February 2016, the Minister for Local Government received a merger proposal from Warringah Council for examination and report under the Local Government Act 1993 (Local Government Act), in relation to the following local government areas (LGAs):

- **Manly Council**
- **Pittwater Council**
- **Warringah Council**

A review has been undertaken against the factors listed under section 263(3) of the Local Government Act. This included the holding of a public inquiry and receiving written submissions to allow the views of the community and their councils to be expressed.

In total, 18,850 written submissions were received and 668 people attended and 144 people spoke at public inquiry sessions in Mona Vale, Manly and Dee Why.

Overall, Warringah Council is strongly supportive of the proposal, having put it forward for consideration, and Pittwater and Manly councils have expressed strong opposition to the proposal in their submissions to this public inquiry. The communities of Warringah and Pittwater have taken views similar to their councils in this public inquiry, whereas Manly residents and ratepayers are more evenly split in their views on the merits of the proposal.

In relation to the key factors considered by this inquiry it has been found that:

- The financial impacts of the proposal are likely to be significantly beneficial, in all likelihood to a similar extent to those identified by KPMG in its financial analysis (\$136m net financial benefit over 20 years).
- While there is no single community of interest on the northern beaches, there are sufficient points of convergence and mutual benefits from a single council that could be realised if a commitment to make a new council work exists. However, I have some doubts that this is the case.
- The changes to electoral representation, while significant, especially for Pittwater and Manly residents, could be managed through a wards system and a modern decentralised council model.
- A merged council would have the capacity to retain the high standards of local service provision provided by the current councils and significantly enhanced regional services in a range of areas including environmental management and sporting facilities management.
- A single northern beaches council would have considerably improved strategic capacity and influencing ability on the major planning, transport and infrastructure challenges that the region will face over the next 20 years.
- There are ways in which the concerns of Pittwater residents, in particular, could be met in relation to planning and development issues through the retention of strong planning controls which reflect the different sensitivities of the environment across the new council area.

While there are two alternative merger options under consideration for the northern beaches – Warringah Council’s proposal for a single council (comprising existing Manly, Pittwater and Warringah LGAs) and the Minister’s proposals for two separate councils (one comprising existing Pittwater and part Warringah LGAs; and the other comprising existing Manly, Mosman and part Warringah LGAs) – it is my view following both public inquiries that the single council option (of Manly, Pittwater and Warringah LGAs) is preferred and that its impacts can be effectively managed.

It is therefore recommended that the merger proposal proceed with the recommendations contained in Section 7 of this report.

2.0 BACKGROUND

Over the past four years, the NSW Government has been undertaking a review and modernisation of the state's local government sector under the theme 'Fit for the Future'. This has included analysis by the Independent Local Government Review Panel (ILGRP) and the Independent Pricing and Regulatory Tribunal's (IPART's) assessment of Council Fit for the Future proposals.

In February 2016, pursuant to section 218E of the Local Government Act, Warringah Council made a proposal to the Minister for Local Government for the amalgamation of the Manly, Pittwater and Warringah local government areas.

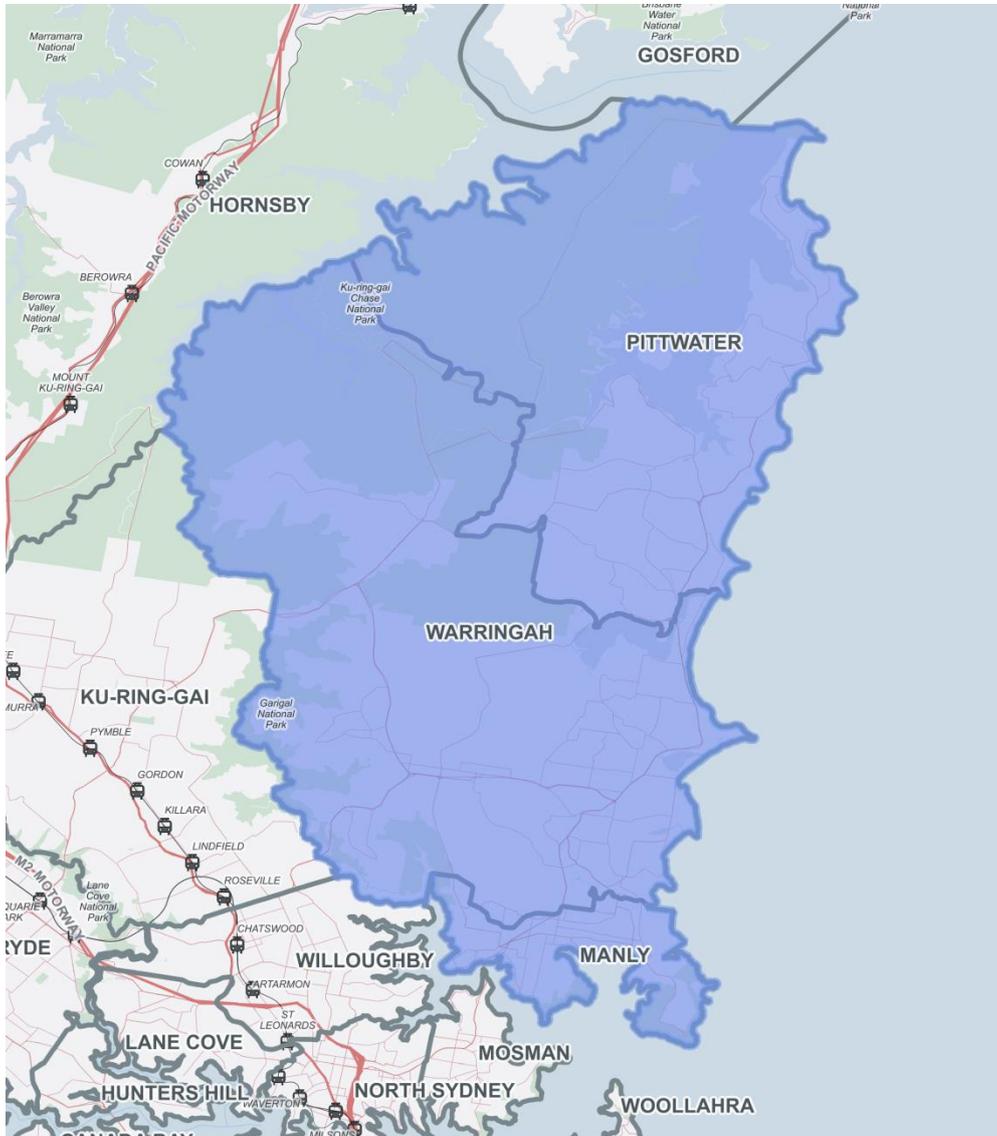
The Minister for Local Government has referred the proposal to the Acting Chief Executive of the Office of Local Government for examination and report. The Acting Chief Executive has delegated the function of examining and reporting on the proposal to me. A copy of the Instrument of Delegation is shown in Appendix A.

Under the Local Government Act, I am required to examine and report on the merger proposal having regard to a number of specific factors listed in section 263(3), namely:

- a. the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned;
- b. the community of interest and geographic cohesion in the existing areas and in any proposed new area;
- c. the existing historical and traditional values in the existing areas and the impact of change on them;
- d. the attitude of the residents and ratepayers of the areas concerned;
- e. the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area;
 - e1. the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities;
 - e2. the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned;
 - e3. the impact of any relevant proposal on rural communities in the areas concerned;
 - e4. in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards;
 - e5. in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented;
- f. such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas.

3.0 DESCRIPTION OF THE PROPOSAL

The proposal is to merge the whole of the existing local government areas of Manly, Pittwater and Warringah into a single new local government area as shown in the map.



Proposed merger: Manly, Pittwater and Warringah

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

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



4.0 DESCRIPTION OF THE EXAMINATION PROCESS

The examination process which has been followed in consideration of this merger proposal is as follows:

- On 23 February 2016, the Acting General Manager of Warringah Council advised the Minister for Local Government that pursuant to section 218E of the Local Government Act, Warringah Council was making a proposal for the amalgamation of the Manly, Pittwater and Warringah local government areas.
- Under section 218F(1) of the Act, the Minister referred the proposal to the Acting Chief Executive of the Office of Local Government for examination and reporting.
- On 25 February 2016, the Acting Chief Executive of the Office of Local Government delegated the function of examining and reporting on the proposal to me as his delegate. The proposal was made available online at the Council Boundary Review website at this time.
- On 26 February 2016, I wrote to all three Council General Managers advising that I had been appointed to examine and report on the merger proposal and enclosed a copy of the merger proposal. The letter also invited council representatives to meet with me to discuss the proposal; to make a written submission on the proposal; and to speak at the public inquiry to be held as part of the proposal examination process.
- On 2 March 2016, I wrote again to all councils giving notice of the public inquiry dates, times and locations.
- On 2 March 2016 I also placed public notices in local and state newspapers and on the Council Boundary Review website inviting written submissions on the proposal until 8 April 2016 and inviting members of the public to register and attend/speak at the public inquiry sessions at Mona Vale, Manly and Dee Why.
- On 16 March 2016 I met separately with representatives of all three Councils at their respective council offices to advise on the public inquiry process and to hear their preliminary views on the merger proposal.
- On 21 March 2016 a public inquiry meeting was held at the Mona Vale Golf Club from 6pm – 10pm. 272 people attended the meeting and 70 people spoke.
- On 22 March 2016 a public inquiry meeting was held at the Manly Golf Club from 6pm – 10pm. 103 people attended the meeting and 23 people spoke.
- On 23 March 2016 a public inquiry meeting was held at the Dee Why RSL from 6pm – 10pm. 293 people attended the meeting and 51 people spoke.
- On 8 April 2016, acceptance of written submissions on the merger proposal formally closed. A total of 18,850* written submissions were received on the proposal (* note this followed the removal of 127 duplicate submissions).
- This report and its recommendations complete my examination and reporting process and will be referred to the Minister for Local Government for his consideration and the Boundaries Commission for any comments it wishes to make to the Minister.

- My report and its recommendations, as well as written submissions and transcripts of the public inquiry sessions, will be made available on the Council Boundary Review website at the appropriate time.

5.0 SUMMARY OF SUBMISSIONS

There are two key ways in which this public inquiry has received and considered the views of residents and ratepayers of the areas affected by this merger proposal. The first is by virtue of public inquiry meetings held at Mona Vale, Manly and Dee Why on 21, 22 and 23 March 2016 where the public directly expressed their views on the merger proposal. The second is by written submissions on the merger proposal which were received up until 5pm on Friday 8 April 2016.

At the public inquiry sessions, 668 people attended and 144 people spoke. This included representatives of each of the councils.

A total of 18,850 written submissions were received as part of the public inquiry into the proposal, including submissions from each of the councils.

It should be noted that many of the individual submissions to this public inquiry did not address the specific factors under section 263(3) of the Local Government Act which I am required to have regard to, instead preferring to offer a simple view as to whether they support or oppose the merger proposal. While these views have been considered, it should also be stressed that my job is to assess the merits of the merger proposal objectively and on evidence and that the public inquiry is not a referendum on the proposal.

It is also relevant to note that all three councils undertook what can be called campaigns to solicit submissions from their residents and ratepayers to the public inquiry. This took a variety of forms, including postage paid submission cards and pre-populated emails direct to the delegate. In total more than 60% of submissions took this form. I will also note that some of these campaigns gave submitters the opportunity to either support or oppose the proposal, whereas others did not.

All written and verbal submissions made have been carefully considered in the course of my deliberations and in preparing my report on the proposal.

It should also be noted that there have been requests that submissions made on the Minister's merger proposals for two northern beaches councils be considered as part of this public inquiry, given the possible confusion in the community regarding whether views previously expressed will be considered. While I have some sympathy with the amount of consultation that residents have had to endure on the different merger proposals over the last few months, it is legally necessary for me to only have regard to the submissions made specifically on this merger proposal in my examination and reporting.

Overall public views

While the views of residents and ratepayers are discussed in detail in Section 6.4 of this report, some overall observations based on my record of the public inquiry meetings and a statistical analysis compiled for the delegate by the Department of Premier and Cabinet (2016) are:

- Overall, 5.7% of the population within the merger affected area made a written submission of one sort or another to this public inquiry, representing a high degree of engagement with the inquiry and a healthy interest in the future of local government on the northern beaches.

- Submissions were received from 8.9% of the Pittwater LGA population, 5.2% of Warringah LGA and 2.9% of Manly LGA.
- Slightly more than half (53%) of the people speaking at the public inquiry meetings expressed opposition to the merger proposal, with approximately 46% speaking in favour. However, the 144 people who spoke represents a very small sample size equating to only 0.05% of the total population of 263,413 people in the merger affected area.
- Written submissions overall showed an almost equal split between those supporting the merger proposal (49.4%) and those opposing (48.2%). When the council campaign submissions are excluded from the analysis, 66% of submissions were in favour of the merger proposal and 30.1% against.

Overall Council views

The overall views of Pittwater and Manly councils as expressed in their written and verbal submissions to this public inquiry, is strong opposition to the merger proposal, with both preferring to remain as stand-alone councils, with a second preference of the Minister’s two councils merger option. Warringah Council is the proponent of the merger proposal and strongly supportive of it.

Given the obvious importance of the existing local councils as the elected representatives of their communities, I will address issues they raise in detail in the relevant sections of this report.

Submissions analysis

In order to discern the key issues that were motivating views on the merger proposal, a detailed analysis of written submissions to the inquiry was undertaken. In relation to the 11 factors in section 263(3) of the Local Government Act that this inquiry is required to have regard to, the overall position is summarised in **Table 1**.

Table 1 – Written submissions factor analysis

Factor	Number of times addressed in submissions*	Percentage of submissions addressing
Attitude of residents and ratepayers	8,384	44%
Community of interest	4,242	23%
Financial impacts	3,662	19%
Services and facilities	2,477	13%
Elected representation	2,126	11%
Other issues	632	3%
Historical and traditional	407	2%

Council Boundary Review – Merger Proposal Report

Employment impacts	391	2%
Rural impacts	247	1%
Diverse communities	226	1%
Wards	110	1%

* Note submissions often address multiple factors

Source: Manly Council, Pittwater Council and Warringah Council Merger Proposal Submissions Summary Report (DPC, 2016)

Other than the large count in the “attitude” category, it is instructive to observe that the most common issues raised concern:

1. Community of interest issues.
2. Financial impacts of the proposal.
3. The impact of the proposal on delivery of facilities and services.
4. Elected representation impacts.

While these areas of concern were largely the same irrespective of whether the submission was from a resident of Manly, Pittwater or Warringah LGA as shown in **Table 2**, Pittwater LGA residents had an elevated concern regarding the representation impacts of the proposal compared with residents of Manly and Warringah.

Table 2 – Submissions concerns by LGA

Factor	Manly submissions score	Pittwater submissions score	Warringah submissions score
Attitude of residents and ratepayers	33.6% (1)	37.5% (1)	35.3% (1)
Community of interest	25.8% (2)	21.4% (2)	30.7% (2)
Financial impacts	20.5% (3)	15.9% (4)	28.8% (3)
Services and facilities	18.9% (4)	12.6% (5)	17.0% (4)
Elected representation	13.5% (5)	16.4% (3)	10.9% (5)

Source: Manly Council, Pittwater Council and Warringah Council Merger Proposal Submissions Summary Report (DPC, 2016)

While my report will therefore particularly focus on the issues raised in relation to these four factors, I will also comprehensively address the other factors as they are often what motivate someone to have a strong attitude towards the merger proposal.

6.0 EXAMINATION OF THE PROPOSAL

As delegate I am required under section 263(3) of the Local Government Act to consider this merger proposal with regard to the factors listed in that section. These factors are listed in Section 2.0 of this report and again in the following sections of this report where I address the impacts of the merger proposal in detail.

My assessment considers the merger proposal against the status quo of the existing three separate councils. So, for example, when assessing the factor relating to the financial advantages or disadvantages of the proposal, I am required to form a view, based on evidence presented to me through the inquiry process and other information available to me, as to whether the single council merger proposal is superior to or inferior on financial grounds to the three councils continuing to operate as separate individual entities.

While there are also two separate alternative merger proposals for the northern beaches councils put forward by the Minister for Local Government – one for a merger of Pittwater LGA and the northern suburbs of Warringah LGA and the other for a merger of the southern suburbs of Warringah LGA with Manly and Mosman LGAs – my job is not to compare and contrast the single northern beaches merger proposal with the Minister's merger proposals. Inevitably, there will be some occasions where I make comparative comments in order to assist the final decision-maker (or in responding to submissions which have done this), but fundamentally my role is to assess the proposal against the three councils continuing to exist as stand-alone entities. Having said this, it should be recognised that the approach taken in many submissions, including those of the three councils subject to the merger proposal, has been to compare the current merger proposal against the alternative proposals which are under consideration.

While there are 11 factors which I am required to have regard to, ultimately I need to come to a single conclusion as to the desirability or otherwise of proceeding with Warringah Council's merger proposal. The factors are of equal weight in the assessment process and will all be considered against the evidence gathered through the public inquiry process, including Warringah Council's merger proposal documentation, financial analysis I commissioned from KPMG on the proposal, written submissions received and verbal presentations made at the public inquiry meetings and other information available to me.

It should be noted that my examination of these factors will be in the context of the broader reform of local government in NSW which is part of the NSW Government's reform agenda.

6.1 Financial Advantages or Disadvantages

(a) the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned

The first factor that I am required to turn my mind to is the financial advantages or disadvantages of the merger proposal to the residents and ratepayers of the areas proposed to be merged. 19% of written submissions raised the issue of the financial impacts of the proposal (both positive and negative), as did a significant number of the verbal presentations at the public inquiry meetings.

As this merger proposal was put forward by Warringah Council rather than the Minister for Local Government, it did not have the benefit of financial advice or modelling from KPMG as did all the other merger proposals put forward by the Minister. I consequently commissioned financial advice from KPMG (*Financial Analysis: Manly Council, Pittwater Council, Warringah Council, KPMG March 2016*) which I have relied on for my consideration of the financial benefits of this merger proposal.

It is fair to say that the financial factor in section 263(3) has received a significant amount of comment throughout this public inquiry process, with views being expressed that it needs to be conclusively shown that the precise financial advantages modelled by Warringah Council and KPMG will be achieved or the proposal should be eliminated from further consideration. Equally, there are views that all that needs to be done is to prove the financial advantages of the proposal and all other factors become redundant. There have also been strong views put that the financial benefits, even if proven, are modest on an annual or per capita basis and not worth the effort.

The view that a merger proposal should live or die according to its financial impact is not a view to which I subscribe, nor is it what is intended by the multi-factored assessment process required by section 263(3). Having said that, it is clear that the financial impacts of the merger proposal are very important. There would be no point implementing a merger proposal if it moved residents and ratepayers backwards from a financial point of view or if the benefits were not sufficient to offset some of the implementation issues created by mergers.

The approach taken in this section is therefore to:

1. Consider the financial advantages and disadvantages of the merger proposal as stated by Warringah Council in its merger proposal and as analysed by KPMG.
2. Consider criticisms of the stated financial benefits as contained in a number of submissions received on the merger proposal, most notably from Pittwater and Manly councils.
3. Provide my views, based on the evidence considered, regarding the likely financial advantages or disadvantages of the merger proposal.

Recent Relevant Reports

Before looking at the specifics of the merger proposal and KPMG's financial analysis, it is instructive to examine three recent reports which have looked at the financial sustainability of local government in NSW, including the councils under consideration in this merger proposal.

NSW Treasury Corporation (T Corp) Report

In 2013 T Corp produced its report on the financial sustainability of local government in NSW (*Financial Sustainability of the NSW Local Government Sector*) which examined the financial sustainability of all councils in NSW.

In relation to the councils the subject of this merger proposal, the T Corp report found that all three councils had a sound level of financial sustainability, with Manly and Pittwater councils likely to maintain that rating into the future and Warringah Council likely to improve that rating – refer **Table 3**.

Table 3 – T Corp Financial Sustainability Rating

Council	Current FSR*	FSR* Outlook
Manly	Sound	Neutral
Pittwater	Sound	Neutral
Warringah	Sound	Positive

* Financial Sustainability Rating

Source: T Corp Financial Sustainability of the Local Government Sector 2013

Department of Premier and Cabinet Division of Local Government Infrastructure Audit

In 2013 the Division of Local Government undertook an infrastructure audit of all councils in NSW. The audit found there was a total infrastructure backlog across NSW councils of \$7.4bn at 30 June 2012, representing over \$1000 per head of NSW population. In relation to the councils the subject of this merger proposal, the audit found as per **Table 4**.

Table 4 – Infrastructure Audit Findings

Council	Infrastructure Management Assessment	Infrastructure BTS* per capita
Manly	Strong	< \$150
Pittwater	Strong	\$1,000-\$2,500
Warringah	Very Strong	< \$150

* Bring to Satisfactory Standard

Source: DPC (DLG) Local Government Infrastructure Audit 2013

As seen in **Table 4**, the infrastructure management capability of all three councils was assessed as strong or very strong with both Manly and Warringah councils having a low per capita expenditure required to bring their infrastructure to a satisfactory standard, perhaps reflecting the higher population density in their areas compared to Pittwater. Notwithstanding these strengths, KPMG assesses the infrastructure backlog across the area at \$35m (KPMG Financial Analysis 2016, page 3).

Independent Pricing and Regulatory Tribunal (IPART) Fit for the Future Assessments

In 2015 IPART completed assessments of all councils in terms of whether they were fit for the future on financial criteria and scale and capacity criteria.

With regard to the councils the subject of this merger proposal, IPART found that all three councils satisfied the financial criteria overall (relating to financial sustainability, infrastructure and service management and efficiency), however did not satisfy scale and capacity criteria.

Overall, the T Corp, Division of Local Government and IPART work indicates that while all three councils are performing at a satisfactory financial level, there are challenges ahead, particularly in relation to infrastructure backlogs which makes the merger proposal worthy of consideration.

Merger Proposal and KPMG modelling

Warringah Council’s merger proposal documentation indicates the potential for a \$127m total financial benefit from the merger proposal over 20 years based on:

- Net financial savings of \$102m; and

- Government funding package of \$25m comprising \$10m to manage the merger transition costs and \$15m to invest in community infrastructure projects.

The Warringah Council merger proposal documentation indicates that gross savings over 20 years will primarily be due to:

- Removal of duplicate back office and administrative functions and streamlining senior management roles (\$85m);
- Procurement efficiency savings (\$23m); and
- Reduction in elected officials (\$3m).

The analysis undertaken by KPMG estimates the total financial benefit at a similar level to Warringah Council's proposal – \$136m over 20 years, compared with Warringah Council's estimated \$127m benefit. The substantive difference is that KPMG estimates staff savings at \$102m rather than the \$85m forecast by Warringah Council.

Some submissions received on the merger proposal have cast doubt on the stated potential financial benefits of the merger proposal, in particular submissions from Pittwater and Manly councils, as well as a significant number of individual submissions. Some of the key criticisms include:

1. The financial benefits of the merger proposal are no better than or very similar to the alternative two councils option but with significantly higher adverse community impacts.
2. The financial benefits are small on an annual or per capita basis and do not outweigh the significant negative social impacts of the merger proposal.
3. The forecast financial benefits are not realistic and will not be achieved.

Submissions

Pittwater Council considers the financial benefits of the merger proposal to be very similar to the benefits which would be achieved under the Minister's two councils option (\$136m over 20 years compared to \$121m over 20 years), and notes that the two councils option includes an additional \$20m of State Government funding for merger transition and infrastructure funding as a result of the way in which the Government funding package is configured. Pittwater Council is also of the view that per capita savings are small, noting that it amounts to \$25.81 per resident per year. Pittwater Council also questions whether the proposed savings will be realised, although other than casting doubt on the ability of economies of scale to occur for many council functions above a scale of 50,000 residents (page 5) does not provide compelling evidence why this would be so.

Manly Council's submission considers Warringah Council's projected net financial saving to be markedly different to that modelled by KPMG (Note: Manly Council on page 7 of its submission incorrectly compares Warringah Council's estimated total financial benefit of \$127m with KPMG's net financial savings figure of \$111m in drawing this conclusion). Council is also of the view that financial benefits are small on an annual basis noting that they would be less than 1.4% per annum for the three merged councils and only achievable by 2019-20. Council considers that "these savings come at a large price in terms of costs and losses for the Manly community's independence and services provision." (page 7). Manly Council also expresses considerable concern about inheriting an infrastructure backlog from Warringah and Pittwater councils and the pressure this will put on Manly ratepayers.

Warringah Council in its submission offers the view that its merger proposal will provide more than four times the financial savings of the two council merger option (\$111m over 20 years compared to \$24m over 20 years) and notes that there will be less costs to tax payers as a result of the single council option due to reduced State Government grant funding.

A significant number of other submissions are sceptical about the proposed financial benefits of the merger proposal and/or consider the benefits modest and offset by the adverse impacts of the proposal.

Consideration

As stated, there are two components to the estimated financial benefits of the merger proposal in Warringah Council's proposal as modelled by KPMG – grants totalling \$25m to the new council to assist with merger transition costs (\$10m) and community infrastructure projects (\$15m); and estimated net financial savings of \$111m.

Grants component

There are two elements to the \$25m in grants to be provided by the NSW Government in the event that this merger proposal proceeds - \$10m to manage the costs of the merger transition and \$15m in infrastructure funding.

The \$10m merger transition allowance is designed to assist with implementation costs associated with the merger such as ICT costs, office relocation, workforce training, signage and legal costs. KPMG notes that these costs are expected to be surpassed by accumulated net savings within a three-year payback period (KPMG, page 3). The assumptions used in deriving merger transition costs are contained in the KPMG Technical Paper (January 2016) and are based on a range of data sources including industry consultations, Queensland de-amalgamations work, OLG data, Fair Work Ombudsman data and Council Long Term Financial Plans. For metropolitan councils, merger transition costs are estimated at \$3.35m for ICT costs (plus 30% contingency component) and other transition costs at 2% of the merged entity's operating expenditure in the first year of operation.

While it is not possible to definitively state that the \$10m grant to manage merger implementation costs will prove wholly adequate for the task, it is considered to be within the scope of the new council and its management team to operate within this funding envelope or else to make an informed decision to exceed that amount and fund accordingly. It is not obvious that there are costs in merger implementation which are so outside the control of the new council to manage that the \$10m funding envelope will prove grossly inadequate. However, it will be essential for any new council to keep a close eye on merger transition costs, in particular ICT costs which can form a substantial component of total costs, to ensure that cost "blow outs" do not occur.

In the event that the merger proceeds, there will also be a grant of \$15m to the new council to allocate to community infrastructure projects. This may enable the infrastructure backlog of \$35m across the merger area to be almost halved or else will enable the new council to invest in significant new infrastructure projects for the benefit of its residents and ratepayers. While a number of people have expressed the view to this inquiry that the \$15m in infrastructure funding is merely the State Government giving back to the area what it has paid in taxes, this is in my view a simplistic attitude. Unless the merger proposal proceeds, there will be no chance of obtaining what is a significant one-off funding allocation for the provision of needed

infrastructure, and provided other key elements of the merger are acceptable, this should not be discounted.

Savings component

While there have been criticisms that the projected \$111m in net financial savings as a result of the merger proposal may not be realised, it is fair to say that the more prevalent view among councils and others opposed to the merger proposal is that the financial benefits are small and not substantially better than can be achieved under the two council merger option preferred by Pittwater and Manly councils.

While I do not intend to forensically examine the potential savings from the merger proposal, it is necessary for me to form a view as to whether there will be an *overall* financial advantage or disadvantage to residents and ratepayers from the proposal and therefore whether it is *likely* that savings in the order of those projected by KPMG can be realised.

Overall, KPMG forecast gross savings over 20 years will total \$125m and comprise:

- Streamlining senior management roles (\$27m);
- Removal of duplicate back office and administrative functions (\$75m);
- Efficiencies generated through increased purchasing power (\$19m); and
- Reduction in elected officials fees (\$4m).

KPMG project net financial savings of \$111m over 20 years following the removal of merger transition costs and staff redundancy costs.

KPMG's estimated savings figures are similar to savings estimated by Warringah Council in its merger documentation at \$111m gross savings over 20 years and \$102m net savings over 20 years.

I have no reason to doubt that the savings figure calculated by KPMG is not *potentially* available to the new council should the merger proceed. The savings only equate to approximately 1.5% per annum of the new council's projected 2019-20 operating revenue of \$373.6m (KPMG, page 2) and is therefore quite modest in the scheme of things.

This is, of course, a two-edged sword as many submissions view this comparatively limited saving as not worth the effort of amalgamation. However, there is no doubt that a saving of over \$5.5m per annum over 20 years could be used very productively by the northern beaches communities, provided other aspects of the merger proposal are acceptable. Therefore, while on financial grounds I find the benefits of the merger to be proven, it will be necessary to weigh this up against the impact of the merger on the other factors that I am required to address.

While I have said that my role is not to compare this merger proposal with the alternative proposals put forward by the Minister, I do need to comment on contrary views put by Pittwater and Warringah councils regarding how this merger proposal compares financially with the alternative two councils proposal. Essentially, Pittwater Council's view is that the financial benefits are very similar, whereas Warringah Council considers its merger proposal to be considerably better on financial grounds. As shown in **Table 5**, the net savings achievable under the single council option are 46% better than the two councils option (even including

Mosman LGA component savings) and more than double if Mosman LGA component savings are removed. Removal of the Mosman component enables a like with like comparison.

Table 5 – Comparison of Merger Proposal Net Savings

Merger Proposal	Net Savings
Single northern beaches council (KPMG analysis)	\$111m
Two councils (as per Minister’s Merger Proposals)	\$76m
Two councils with Mosman LGA savings (\$23m) removed ¹	\$53m

¹ Mosman savings obtained by comparing Minister’s proposal for North Sydney/Willoughby with Minister’s proposal for Mosman/North Sydney/Willoughby

While the State Government grants component is higher under the two councils option than the single councils option (\$45m versus \$25m or \$40m versus \$25m if the Mosman Council component is removed), this is not sufficient to offset the enhanced savings available under a single council option.

Rates

One further issue that has been raised in a number of submissions on the merger proposal, is that there will be increases in rates as a result of the merger proposal, once the four year moratorium on rate increases for merged councils expires. Warringah Council alternatively argues that the financial benefits of the merger proposal will mean rate increases are not necessary.

While there will be a need over time to review rates from an equity and consistency viewpoint, there are a range of protections against extravagant rate increases including:

- The annual Operational Plan which councils are required to prepare each year which outlines the council’s revenue policy for the coming year, including proposed rating structure. This plan has to be made available for public comment and submissions fully considered. Ultimately, any new council will have to test rate increases with its community and will be held responsible for them.
- The role IPART plays in setting the rate pegging limit and scrutinising special variations to increase rates beyond that limit.

It is considered unlikely that the very large rate increases envisaged in some submissions to this inquiry will occur and that there are adequate protections available to manage this concern.

Infrastructure

A number of submissions, including Manly Council and Pittwater Council, have raised concerns that there will be negative impacts from the merger proposal in funding infrastructure within their areas of operation. The view is expressed by Manly Council that Manly LGA residents will be forced to fund infrastructure backlogs in Warringah and Pittwater LGAs and other submissions have pointed out that one of the reasons Pittwater Council seceded in 1992 was due to inequitable funding on infrastructure when it was part of Warringah Council.

While these are legitimate concerns, as discussed there will be a \$15m State Government grant towards funding of community infrastructure should the merger proposal proceed, enabling a very significant reduction in the current infrastructure backlog of \$35m across the area and/or significant new infrastructure investment. It should also be noted that as indicated earlier in this section, all three councils were rated as strong or very strong in infrastructure management capability by T Corp in its 2013 assessment of local councils, indicating that there should not be significant concerns that a single merged council would not perform similarly. Ultimately, equity in funding of infrastructure across the merged entity, were it to proceed, would be the responsibility of the councillors, its administration and the community. This would be within the Integrated Planning and Reporting Framework which all councils are required to adhere to, which requires decisions on infrastructure funding to be made transparently and on solid evidence based foundations.

Overall view

In conclusion, my overall view in relation to the financial aspects of the merger proposal are that there are:

- Significant assured benefits to the residents and ratepayers of the area as a result of the \$25m grants component of the merger proposal.
- *Potential* significant net savings benefits (up to \$111m over 20 years) from the merger proposal which will be largely in the remit of the new council to achieve.
- Financial benefits in excess of what could be achieved under a two councils merger option.

Overall, I am convinced that the financial benefits of the merger proposal are better than the status quo (and also the two council merger option) and on that basis there is no reason why the merger should not proceed on financial grounds.

6.2 Community of Interest and Geographic Cohesion

(b) the community of interest and geographic cohesion in the existing areas and in any proposed new area

The impact of the merger proposal on community of interest and geographic cohesion is one of the most significant issues raised in relation to this merger proposal, with strong views being expressed that the northern beaches is a logical geographic area for a local government area with a single community of interest, versus views that the northern beaches is comprised of several distinct communities and communities of interest and that the current boundaries of the local councils are largely reflective of these different communities of interest.

Before examining in detail the impact of the merger proposal on community of interest and geographic cohesion, it is important to examine what is meant by the concept. A useful definition of community of interest is "*...a geographically connected population which shares common social and economic interests.*" (California Citizens Redistricting Commission 2011). This definition is useful because it brings together the social, economic and geographic dimensions of the concept which are required to be addressed under this factor.

The Merger Proposal

Warringah Council's merger proposal highlights points of similarity across the northern beaches, including above average household incomes, low rates of unemployment, a highly educated population, similar industry composition and similar socio-economic profiles. It notes similarity in Manly LGA and Warringah LGA housing types, with transition to a higher proportion of low density housing further north. The merger proposal also includes examples of current services and facilities which are operating across the northern beaches and the opportunities for a new single council to build on and extend these services. Warringah Council also highlights the geography of the proposed council area as being based on the natural features of the peninsula which would result in all environmentally important areas falling within and being managed by a single local council.

Submissions

The impact of the merger proposal on communities of interest was raised in 23% of written submissions and was also a dominant theme at the public inquiry meetings. Overall, there appear to be two distinct views regarding Warringah Council's merger proposal. The first is that a single northern beaches council is entirely logical and will bring together a single community of interest within a logical geographic setting. The second is that there are a number of distinct communities on the northern beaches and that the existing three council structure (or as a minimum the alternative two council structure) best reflects this diversity.

Views raised by the councils in their written submissions include:

Pittwater Council

- Pittwater Council was created due to the differences between its community and the community of south-eastern Warringah.
- There are significant differences across the three councils in key demographic and socio-economic indicators, including median age, housing type, household income, education and index of socio-economic advantage.
- There are two distinct communities on the northern beaches – the low-medium density bushland and waterways setting community of the north and the higher density more urbanised population in the south. Warringah Council's proposal by "pushing these two very different communities together, will not unite the northern beaches" (Pittwater Council written submission, page 8).

Manly Council

- Manly Council is also of the view that demographic indicators show different communities of interest of residents in the area, especially between the northern and southern areas, on household incomes, housing, age profiles, education and employment. Council particularly highlights that the greatest regional difference is in housing types, with significantly more medium and high density housing in Manly LGA compared to Pittwater and Warringah LGAs.
- Substantial differences in economic criteria, with much lower levels of job containment for Manly residents (21% of Manly LGA residents work in the Manly LGA) compared to Warringah and Pittwater LGA residents (quoted at 39% local jobs for both LGAs).

- Concerns that local businesses in the Manly LGA will suffer as the new council focuses its attention on the Dee Why and Brookvale areas.
- Concerns that the new council area will be too large to effectively manage and protect the environment and that planning controls will be 'dumbed down' risking protections that the existing councils have put in place.

Warringah Council

- Warringah Council notes that a single northern beaches council was the preferred option of the Government's Independent Local Government Review Panel due to its strong geographic cohesion and economic and social inter-linkages.
- Proposed new council area is geographically cohesive, being a single geographically isolated area and one recognised as a discrete planning area by the Department of Planning and Environment
- Manly, Pittwater and Warringah communities are similar and share a number of key demographic aspects including household size, age characteristics and a growing ageing population.
- Similarities in scale, land use and building typology of the smaller centres across the three LGAs.
- Community and sporting groups and associations operate across the northern beaches region, with close to 200 defining their organisations by reference to the northern beaches.

Consideration

The views put forward by those opposed to this merger proposal are twofold. The first is that the area of the new council is too large to be geographically cohesive and that this will lead to inequities in expenditure of the new council's resources on infrastructure and in supporting business and other communities. The large geographic size of the council would also mean that environmental and planning controls would not be effectively targeted. The second view is that the proposal attempts to artificially impose a single community of interest across the area when there are in fact a minimum of two very different communities and that this should be reflected in the region's local government structure.

Community of interest

While I will put to one side the question of how similar the communities which make up a new council need to be for the time being, it is relevant to look at some of the demographic and socio-economic indicators which many, including Manly and Pittwater councils, say are so different; and others, including Warringah Council, say are similar. **Table 6** draws on data available on the Office of Local Government web site against which it reports on local councils.

Table 6 – Key similarities and differences of the councils

Indicator	Manly	Pittwater	Warringah	Comparative Assessment
Population aged 19 or less (%)	23%	26%	26%	Similar
Population aged 20-59 (%)	59%	50%	54%	Similar
Population aged 60+ (%)	18%	24%	20%	Similar
Aboriginal & Torres Strait Islander Population (%)	0.3%	0.4%	0.4%	Similar
Language Spoken other than English (%)	12.3%	7.5%	16.1%	Different
Socio-Economic Index Rating	147	145	140	Similar
Unemployment rate June 2013 (%)	2.4%	3.0%	3.7%	Different
Average taxable income (2010)	\$87,682	\$70,747	\$65,007	Different
Household size (2011)	2.5	2.7	2.7	Similar

Source: Your Council Time Series Data (2011/12 – 2013/14) OLG

These comparisons reveal, not surprisingly, both key similarities and key differences between the three LGAs which would make up the proposed new council across a range of demographic and socio-economic criteria. In particular, population profiles and household size are very similar, whereas there are differences in household incomes, unemployment rates and other economic indicators. However, I am not convinced that any of these are so markedly different that they would suggest likely insurmountable incompatibilities between the constituent councils.

One other matter which is of particular relevance to opponents of the single northern beaches council option is the view that there are very different housing markets across the northern beaches. This is demonstrated in **Table 7** which does show quite marked differences between the three councils, with substantially higher rates of medium and high density housing in Manly and Warringah LGAs compared with Pittwater LGA. While this is unquestionably the case, many LGAs operate quite successfully with areas of significant housing diversity and modern planning controls are more than capable of protecting these different densities and character.

Table 7 – Housing typology of the councils

Council	Separate house (%)	Semi-detached, terrace, townhouse etc (%)	Flat, unit or apartment (%)	Other (%)
Manly	40.4	11.8	47.3	0.3
Pittwater	74.0	11.0	14.3	0.7
Warringah	60.6	6.2	32.9	0.3

Source: ABS 2011

While the demographic and other criteria give a picture of the communities which would be brought together in a single council, and some of the similarities and differences between those communities, it is much harder to gain an understanding of the views and aspirations of those communities and whether a single council could adequately represent and resolve them.

Those in support of the proposed merger will often advance the view that the community is a single community united by its love of the beaches and an outdoors lifestyle, whereas those opposed most usually contrast the environmental lifestyle of those in the north with the more urbanised outlook of those in the south. At the end of the day, community of interest is a somewhat nebulous concept which means different things to different people and both views advanced above are valid.

It should also be noted that many sporting associations and other groups (for example, Manly Warringah Pittwater Sporting Union Inc, Manly Warringah Football Association, Narrabeen Lakes Sailing Club and Manly Warringah and Pittwater Historical Society) have expressed support for a single northern beaches council on the basis that they consider the work of their associations and groups which have memberships that transcend council boundaries would be better catered for by a single council.

Based on my consideration of submissions and the many different views that I have heard through this public inquiry process, my overall view in relation to community of interest for this merger proposal is:

1. There is a very palpable “northern beaches” community of interest, but that this is often expressed as an externally focussed community of interest based on ensuring that the region is able to exert influence on key regional planning and infrastructure issues, including public transport connections, road improvements and the amount and locations of housing and employment development which should be located in the region. It is certainly arguable that a single local council could more persuasively argue this community of interest with State and Federal governments than the current three councils model, although it is noted that there is an alternative view that SHOROC can achieve this.
2. There is what I would term a “lifestyle” community of interest along the lines of a relaxed outdoor living focussed lifestyle – but this does not need a separate single local government area to be perpetuated.
3. There is a strong counter view that there are different communities of interest in the region which are aligned to the density and scale of development across the region and that these different communities can not be adequately represented by a single council. In my view while these different communities certainly exist, I am not convinced that a

single council with an effective representation model could not manage the needs of these diverse communities. As mentioned, many councils contain areas with quite different housing densities and communities and manage them well. In particular, as discussed in Section 6.11 of this report, it is certainly not necessary (or even desirable) to establish separate LGAs on the basis of environmental and development differences as this is what Local Environmental Plans and Development Control Plans are designed to manage.

Geographic cohesion

With regard to geographic cohesion, while there is an obvious geographic logic to the boundaries proposed, as acknowledged in many submissions, the view has also been expressed (including by Manly Council) that the area is too large to be managed as a single local government area. Concerns have been raised that the large size of the LGA will make physically accessing the council difficult, as well as concerns that environmental management will be neglected and planning controls reduced to a “one size fits all” approach.

Firstly, for comparative reasons, it should be noted that the proposed new council would have an area of 254 km² (Warringah Council Merger Proposal) and that this is smaller than or similar in size to some current LGAs across the Sydney Region. For example, Blacktown LGA has an area of 247 km², Sutherland Shire LGA 370 km² and The Hills LGA 401 km². On this basis, I do not consider there should be any concerns that this is a “mega council” and beyond the geographic size of what is manageable as a single LGA.

Equally, I consider there are ways that a new large council could be broken up into a more manageable scale for citizens to interact with, including decentralised service models and a wards system as discussed in Sections 6.4 and 6.9 of this report.

Overall View

My overall view is that while there are certainly different communities and different communities of interest which would be brought together if this merger proposal proceeds, there are also some very important shared values and aspirations which could potentially be very effectively advocated for by a single northern beaches council. Equally, I do not consider the communities to be brought together to be so different on objective grounds that they could not co-exist. Homogeneity should not be the aim with merger proposals, but rather compatible difference and in my view this exists for this merger proposal. However, I would note that there are strong contradictory views on this matter, especially from Pittwater LGA residents.

Finally, I consider the geographic scale of the proposed council to be cohesive and manageable provided representation and organisational issues are resolved as discussed later in this report.

On the basis of community of interest and geographic cohesion, there is no reason why this merger proposal could not proceed.

6.3 Historical and Traditional Values

c) the existing historical and traditional values in the existing areas and the impact of change on them

The impact of the merger proposal on historical and traditional values was not a significant issue raised in submissions, with only 2% of written submissions raising the issue. Where

concerns are raised they are often by Pittwater and Manly LGA residents expressing a concern that their local councils will disappear under the merger proposal.

Reproduced below are some key excerpts from relevant websites regarding the historical and traditional values that the three current LGAs hold. Following that is a brief discussion regarding views expressed in submissions and the impact that the merger proposal and change could have on historical and traditional values of the area.

Manly

Manly is named after Manly Cove, which was named by Captain Arthur Phillip, who was impressed by the confident and manly behaviour of the male Aborigines he saw when he first visited the area in January 1788. These men were of the Kay-ye-my clan (of the Guringai people).

Manly remained isolated for many years. It was a long journey of 70 miles by road from Sydney - through Parramatta, Hunter's Hill, Lane Cove and Narrabeen. The other route involved crossing the water by punts at North Sydney and The Spit. There was a very small population which was able to eke out a living from fishing or farming when Henry Gilbert Smith, the founder of the village, arrived in 1853.

Manly Council was incorporated as a local government body on 6 January 1877. Manly's development was slow but by 1880 it had become a thriving seaside resort.

The local government area is relatively small at only 15.14km². The boundary is 37.68 km long, of which 32.94km runs alongside a water boundary such as the lagoon, the harbour or the ocean. No part of Manly is more than 1 km from either the harbour or the ocean.

(Manly Council website and Wikipedia website)

Pittwater

The Guringai people had lived in Pittwater for thousands of years when Europeans arrived in 1788 and soon displaced them. From 1810 Aboriginal lands were given to pardoned convicts and free settlers. Some land was cleared for cultivation and to provide timber for building and fuel. Later in the century Pittwater became a farming district, grazing sheep, cattle, horses and pigs and producing butter, milk, vegetables, fruit and wheat.

Pittwater was isolated and reached mainly by ship to Barrenjoey and after 1880 to Newport. The earliest land explorations followed Aboriginal tracks. Over the years a rough bush road was established from Manly along the coast to Narrabeen. By the early 1880s a bridge spanned the ford at Narrabeen. Travellers by coach paused at the Rock Lily Hotel in Mona Vale (which opened in 1886), and then continued northwest to Bayview and Church Point, or northeast for Newport and Barrenjoey.

By 1913 trams replaced coaches to Narrabeen. From there passengers could take a bus north. After The Spit (1925), Roseville (1925) and Sydney Harbour (1932) bridges were opened, the Pittwater peninsula was more easily reached. Cars opened up travel. People built holiday shacks, often only occupied for a few weeks a year.

However since the 1950s, Pittwater has become predominantly residential in character and is a suburban region of Sydney.

Before seceding in 1992, Pittwater was part of the 'A Riding' of Warringah Shire Council, being one of four Ridings.

(Pittwater Council website & Wikipedia website)

Warringah

Despite its relative proximity to Sydney, the Warringah area remained predominantly rural throughout the nineteenth century. The region's isolation and difficult terrain were natural barriers to development. Warringah's nineteenth century rural based economy provided products for the Sydney market including timber, fruit, vegetables and dairy products. Some industries began to emerge in the 1880s. Brick making was carried out in Brookvale and Frenchs Forest while shipbuilding developed further north in Pittwater.

Warringah Council came into existence on 7 March 1906, as one of 134 Shires which were proclaimed across New South Wales. The name 'Warringah' was taken from the Aboriginal word for Middle Harbour. 'Warringah' had been in use for several years in the late 1800s and early 1900s as the name of the NSW electorate covering the areas of Mosman, Neutral Bay, North Sydney, Manly and the Northern Beaches.

The original Shire headquarters was a suburban bungalow in Brookvale which also served as the Shire Clerk's residence. The next Council Chambers were opened in 1912 and with later extensions served as Council's headquarters for more than 50 years. The present Civic Centre at Dee Why was officially opened in 1973.

In 1992 the northern part of Warringah seceded to form Pittwater Council.

(Warringah Council website)

Submissions

Pittwater Council notes that Pittwater Council commenced on 1 May 1992 and that it was the first new council formed in NSW for over 100 years. Pittwater Council notes the new council was formed as a result of development and environmental concerns and chronic infrastructure backlog issues and disproportionate expenditure of revenue in the Pittwater area. Council expresses a concern that the proposed merger will merely recreate the problems of the past.

Manly Council's submission expresses the fear that "Manly Council's proud heritage and history is likely to disappear as a result of the proposal, and the infrastructure, heritage and environment protected for so long will dissipate." (Manly Council written submission, page 15). Manly Council is of the view that a merged council would prioritise areas to the north and that ultimately this will have an adverse impact on the historical and traditional values of Manly LGA.

Individual submissions from Pittwater and Manly LGA residents include similar views, with a number espousing views that Pittwater LGA residents would not accept a single council merger and would likely work to overturn it should it eventuate.

Warringah Council's submission emphasises that Manly LGA's traditional role as a tourism hub and gateway to the CBD will not change as a result of the merger proposal and that Pittwater LGA's role low density village based character will also not change. Warringah

Council also offers the view that a single council option offers the best potential of ensuring that valued traditional values do not change by offering the opportunity to have greater influence with the State Government on planning and development matters.

Consideration

Many of the concerns raised by Pittwater and Manly councils and their residents in relation to historical and traditional values relate to concerns that the areas will be under-funded under a single merged council, as the attention of the new council focuses on the southern areas of Warringah LGA (Dee Why-Brookvale and Frenchs Forest in particular). There is concern also that the character of the areas will be lost as a result of the introduction of planning and development controls which do not suit the areas.

While the concerns expressed by Pittwater Council and its residents, in particular, are understandable given the comparatively recent history that led to the secession of Pittwater, the reality is that neither concerns should come to pass in a responsible modern local council. Clearly, the environmental, transport, employment and other infrastructure challenges should mean that Pittwater LGA will not see substantial additional development in the future, irrespective of local council arrangements. The substantially developed nature and heritage constraints of Manly LGA are likely to prove similarly restrictive. In any case, bringing together three local councils does not mean a uniform set of planning controls will apply across the new LGA. Any changes to Local Environmental Plans and Development Control Plans will be an extensive and community consulted process and one where zoning and development controls can be expected to match the constraints which exist.

With regard to concerns expressed about infrastructure funding and the likely impact on Pittwater and Manly LGAs, this issue was addressed in Section 6.1 of this report. Suffice to say, ultimately it will be the responsibility of the councillors, council management and the community to ensure equity in infrastructure funding across the new council area, should it proceed. This is no different to the case under current council arrangements and is achievable provided representation models are well resolved as discussed in Section 6.5.

Overall, there is considered to be no impediment to the merger proposal proceeding on the basis of historical and traditional values.

6.4 Attitude of Residents and Ratepayers

(d) the attitude of the residents and ratepayers of the areas concerned

There are a number of ways in which the attitudes of residents and ratepayers towards the merger proposal have been elicited during this public inquiry process. These include the public inquiry meetings held in Mona Vale, Manly and Dee Why and written submissions received on the proposal. In addition, all three councils have conducted surveys, numerous in some cases, of their residents and ratepayers which they have referenced in their submissions.

The attitude of residents and ratepayers is a very important consideration in the examination of this merger proposal – but it should be made clear that it is not the only consideration. The view has been expressed in relation to this factor that if the residents and ratepayers do not want a merger proposal to proceed, then it should not, consistent with the Government's previously espoused "no forced mergers" policy position. While there has been some understandable confusion from residents and ratepayers regarding whether this policy continues to apply, it is clear that it does not given the range of merger proposals put forward

by the Minister, some of which have council support and some of which do not. Consequently, I am obliged to consider the merger proposal on its merits and the attitude of residents and ratepayers is one factor in my consideration. Equally, it is important to recognise that this public inquiry is not a referendum on whether the merger should proceed or not and must undertake a balanced assessment of all factors in section 263(3) of the Local Government Act.

Resident and Ratepayer Attitudes

So what is the attitude of residents and ratepayers towards the proposal? Firstly, it is clear that a large number of people and organisations who made submissions to the public inquiry, both written and verbal, have expressed a specific attitude or view towards the proposal. Of those that made written submissions, the analysis undertaken (DPC, 2016) shows 44% of submissions express an attitude. This was the factor under section 263(3) which received the highest score in terms of number of submissions which triggered the category.

In terms of some of the headline views expressed to this public inquiry, the overall position based on a statistical analysis undertaken (DPC, 2016) and my own record of the public inquiry meetings is:

- Written submissions were fairly evenly divided between support for (49.4%) and opposition to (48.2%) the proposal. This increases to 66% for and 30.1% against if council campaign submissions are excluded.
- Based on submissions which can be readily attributed to the relevant LGA, Pittwater residents and ratepayers are strongly opposed (80% against and 17% for) to the merger proposal and Warringah residents and ratepayers strongly in favour (90% for and 7% against). Manly residents and ratepayers are more evenly split with 54% for and 43% against.
- The majority of people who participated in the public inquiry meetings were opposed to the proposal (53% versus 46%).

While these observations are interesting, this public inquiry is not a referendum and it is more instructive to establish what the main reasons are for the widely different views held. Where residents and ratepayers support the proposal it is often for reasons such as:

- The northern beaches is a single community of interest and it is important to have a council that can represent the whole area.
- Warringah LGA should not be split and a single northern beaches council is the only way to prevent that occurring.
- There will be significant financial and efficiency advantages from a single council which can be put back into improving infrastructure and delivering better services.
- A bigger council will be able to more effectively deliver important regional services such as environmental management, waterways and coastline management and regional sporting needs.
- A single northern beaches council will give the northern beaches far greater strategic influence in the key planning, transport and infrastructure issues the region is facing.

Where there is opposition, the reasons relate to matters such as:

- A view that smaller councils are more responsive and larger councils more bureaucratic.

- A concern that Pittwater and Manly LGAs will be neglected in terms of infrastructure provision (as Pittwater was previously when part of Warringah).
- A concern that the unique environmental values of Pittwater LGA will be lost as the area is opened up to development similar to what is occurring in Warringah.
- A view that there are two communities of interest on the northern beaches – a “northern” low density environmental feel community and a “southern” higher density more urbanised feel community – and that any new local government arrangement should reflect this.
- A concern that the reduced levels of representation in both Pittwater and Manly areas will mean that they are subservient to Warringah in the new council and that services, infrastructure and priorities for those areas will be reduced.
- A concern in Manly LGA (in particular) that a single northern beaches car parking permit system will mean that residents are “parked out” of local beaches.

These issues will all be dealt with in the relevant sections of this report. While I am of the view that most, if not all, could be satisfactorily resolved through a single council option, it is important to recognise that many of the views in opposition to the proposal, especially from Pittwater LGA residents, are very strongly held and may not be open to persuasion otherwise.

Council Surveys

It is noted that there have been a large, almost bewilderingly so, number of surveys undertaken by the councils the subject of this merger proposal. While it is not possible for this inquiry to verify the veracity of these surveys, they have been mentioned in Council submissions and are worthy of brief mention.

Pittwater Council in its written submission refers to a survey undertaken of over 4,000 Pittwater LGA residents which showed 89% of residents wanted the status quo retained, but if pushed 86% supported the ‘Greater Pittwater’ model of two councils and that 85% were strongly opposed to one northern beaches council. Pittwater Council also refers to a survey of over 2,400 Manly LGA residents which showed “overwhelming preference” (Pittwater Council written submission, page 17) for a two council option rather than a single northern beaches council.

Manly Council advises that over the last 12 months it has consulted approximately 3,000 Manly residents, 600 Warringah LGA residents and 400 Mosman LGA residents regarding their merger preferences. It also references research that showed 75% of Manly residents and 89% of Pittwater residents rejecting the single northern beaches council merger option. It also refers to a survey of 478 Warringah residents (unsourced) undertaken on behalf of Manly Council that found 74% of Warringah residents preferred two councils of equal size *if neither retaining the status quo or forming one northern beaches council was an option* (emphasis added).

Warringah Council refers to a survey undertaken in March 2016 of 1,515 northern beaches and Mosman LGA residents which it states found 64% of residents across Pittwater, Warringah and Manly LGAs prefer one council for the northern beaches as against only 35% support for the two council option.

These surveys are of interest but do not add significantly to an understanding of the attitude of residents and ratepayers to this merger proposal. In many respects the survey outcomes are reflective of the individual council stance on the merger proposal and without considerable

additional interrogation can not be relied on by this public inquiry. In any case, the surveys contain quite contradictory findings that do not help resolve this issue for the inquiry.

Overall View

While this public inquiry has identified considerably different attitudes towards the merger proposal across the region and no particular consensus regarding the proposal, it is important to look at the merger proposal factually and against the criteria in section 263(3) of the Local Government Act. Ultimately, this public inquiry is not a referendum, but rather an opportunity to understand what motivates resident and ratepayer views on the proposal and consider whether those views are reasonable, whether concerns raised can be addressed, and whether the overall benefits of the proposal outweigh any disadvantages. This is the approach I have taken in this report.

It should also be noted that I have not considered it necessary to conduct a plebiscite or poll on the merger proposal, as allowed by section 265 of the Local Government Act, as I consider that I have become sufficiently informed of resident and ratepayer views as a result of this public inquiry and its processes. I am also concerned that conducting any such poll would be seen as determinative, when in fact it is not. Resident and ratepayer attitudes is one factor, albeit an important one, in my consideration of this merger proposal, but it is not the only factor that I am required to turn my mind to. Consequently, I did not consider it worthwhile to conduct such a poll.

6.5 Elected Representation

(e) the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area

The impact of the merger proposal on elected representation, or the ratio of councillors to residents, was an issue raised in 11% of submissions made to this public inquiry. As can be seen from **Table 8**, the changes in the level of representation are across the board, with significant increases in the number of residents per councillor particularly for Manly and Pittwater LGA residents.

Table 8 – Changes to local representation under the merger proposal

Council	Number of councillors	Number of residents (2014)	Residents per councillor
Manly	9	44,786	4,976
Pittwater	9	63,338	7,038
Warringah	10	155,289	15,529
Merged council	13*	263,413	20,262

** as used for comparative purposes in Warringah Council’s merger proposal*

Source: Warringah Council Merger Proposal February 2016

It should be noted that KPMG’s analysis (March 2016, page 4) is based on only 10 councillors for the merged entity, further increasing the resident to councillor ratio to 26,341.

While this would clearly be an area of significant change under this merger proposal, Warringah Council's merger proposal notes that there are other comparable or similar councils in Sydney, either existing or proposed, including Blacktown City Council (21,676 residents per councillor), Fairfield Council (15,624), Sutherland Shire Council (15,005), Bankstown-Canterbury* (23,399), Randwick-Waverley-Woollahra* (18,287) and Hornsby-Ku-ring-gai* (18,004) (* NSW Government proposed mergers).

The issue of representation is also intimately connected to the issue of wards, which is one mechanism available to a new council to ensure a continued local focus in representation, and this section should therefore be read in conjunction with Section 6.9 of this report.

Submissions

Pittwater Council notes that access to councillors would be significantly reduced under the merger proposal and that the burden and workload on councillors would be significantly increased. Pittwater Council also notes the significant role played by community reference groups in its area in shaping the views of Council and considers that the Warringah Council merger proposal does not adequately consider how these groups and other representation models could work under a large merged council.

Manly Council notes that there would be a five-fold reduction in representation for Manly residents (using the KPMG analysis representation rate) and, like Pittwater Council, considers that the merger proposal does not address the future of Manly LGA's existing network of community consultative committees and forums.

Both Pittwater and Manly councils consider that wards might be the best way to ensure effective representation in the areas that make up the new entity, but both reject the suggested four wards approach proposed by Warringah Council as being likely to polarise the new council area.

Warringah Council in its submission considers that the debate should be reoriented away from simply considering the elected representation ratio, noting that it has conducted research which shows only 5-10% of people across the northern beaches make contact with councils through their elected representatives, with the remaining 90% engaging with council staff (Warringah Council written submission, page 31). On this basis, Warringah Council is of the view that the focus needs to be on establishing an appropriate decentralised organisational structure founded on local engagement (with offices in Manly, Mona Vale and Dee Why and service centres in Avalon, Frenchs Forest and Brookvale). Warringah Council considers that the focus should be "to capture the diverse (and sometimes conflicting) views of the community in order to present the information in a strategic way to the elected Council so that it is able to make an informed decision." (Warringah Council written submission, page 32).

Many other submissions have expressed concerns regarding reductions in the level of representation – the view of the Warriewood Residents Association that "...this is a proposal to destroy local government and replace it with regional government" (Warriewood Residents Association submission, page 5) not being atypical.

Consideration

It is unarguable that there will be a very significant change in elected representation levels as a result of this merger proposal, especially for current residents of Pittwater and Manly LGAs. For Pittwater LGA residents, there will be a 3-4 times reduction in representation and for Manly LGA

residents, a 4-5 times reduction, depending on whether there are 10 or 12-13 councillors. There will also be more modest reductions for current Warringah LGA residents.

It should be noted that both Pittwater and Manly councils have accepted some reduction in elected representation levels as a result of their support for the two councils merger option, albeit more modest. In the case of Pittwater LGA, the two councils merger proposal sees a reduction in representation from 1 councillor to 7,038 residents to 1 councillor to 14,068 residents and in the case of Manly LGA a reduction from 1 councillor to 4,976 residents to 1 councillor to 15,301 residents. Both councils have accepted this option as what they consider the best alternative to standing alone and on the premise that the option remains “local” enough for representation levels to continue to be acceptable.

The question is whether the reduction in representation levels which would result from the single northern beaches council option would lead to significant adverse impacts on the residents and ratepayers concerned. The issue is, of course, what do residents and ratepayers feel they get from a more direct relationship with their local councillor and could this be managed in some other way?

In reality, there are two quite different models of local government in existence on the northern beaches at present. The Pittwater and Manly councils are unashamedly “local” in focus with a very grass roots orientation and where councillors appear to play a more hands on role in the day to day running of the council. The much larger Warringah Council, by contrast, operates on a more sub-regional basis and arguably a more strategic orientation. These different models are neither wrong nor right – they are merely different.

The challenge through this merger process is to try to strike the right balance – a council that is “regional” enough to be able to engage as an equal partner with State and Federal governments in the big infrastructure, planning and economic growth issues that apply to its area, and “local” enough to be responsive to community concerns.

While the single northern beaches council merger proposal pushes the limits in terms of its connection with local residents on an elected representation basis, there are ways in which this issue could be addressed.

Firstly, the number of councillors should be set at at least 12 as the 10 proposed in KPMG’s financial analysis would mean that the council would have the lowest representation level of any council in Sydney. 12 councillors would result in a representation level of 1 councillor to 21,951 residents, large but comparable with other existing and proposed councils in Sydney.

Secondly, there should be a wards system to ensure that residents continue to have a “human face” to their elected representation. This is discussed further in Section 6.9.

Thirdly, I agree with Warringah Council’s observation that modern councils should place less reliance on councillors to take such a hands on role in resolving residents’ day to day issues and that this should be the role of a responsive, decentralised organisation. This is not dissimilar to the view expressed by Pittwater Council in its submission on the two council merger option, where it noted that “... the role of the contemporary Councillor is to develop and adopt policy and strategy, lead community engagement and monitor Council performance. Representing individual constituents on issues remains an element of the role, but it should be focussed on making the Council accountable for its decisions.” (Pittwater Council submission on Minister’s Merger Proposal, page 25).

Finally, I think it essential that the kind of strategic community engagement undertaken by all three councils continues under a single northern beaches council if one is formed. While there may be a need to rationalise the current community reference groups, I am sure that an alignment of groups on a wards basis would enable effective input into the new council's policy setting and decision-making – both in assisting to set the strategic directions of the council, as well as some of the more significant operational matters such as town planning controls.

Another way of ensuring local representation is not diminished is, of course, to try to ensure that the best quality councillors are elected. What is needed in any merged council is councillors that see the bigger picture and that argue for the benefit of the entire LGA, not narrow sectoral interests. This is, of course, the eternal challenge of effective local government but one which current reforms to increase the status and remuneration of local councillors will assist in driving.

Finally, it should be recognised that the changes to representation which would occur if the merger proceeds need not be a one way street. Councillors representing larger numbers of voters will inevitably have an increased scale and capacity to advocate on behalf of their constituents with partners outside local government, including state and federal governments. This is all part of making local government more relevant and able to participate on a bigger stage.

Make-up of the new Council

In relation to the make-up of a new merged council should it proceed, while this will ultimately be a matter for the government and the new council, **it is recommended** that the number of councillors be set at 12, noting that this will enable the creation of four wards with three councillors in each. While it would be possible to appoint 15 councillors in order to minimise impacts on representation, this would create a council of unwieldy size and also would be problematic to subdivide into logical wards.

While views have also been expressed regarding whether or not a popularly elected mayor should be put in place for the new council, and noting that both Warringah and Manly currently have popularly elected mayors, this is a matter which will ultimately be the responsibility of the new council and its constituents.

Recommendations

1. **It is recommended** that there be 12 councillors on any new merged council.
2. **It is recommended** that any new council establish a strong network of community reference groups and other committees to ensure community representation on an appropriate geographic basis (possibly aligned to wards) to provide input into setting the new council's strategic directions and other key strategic and operational matters.

6.6 Services and Facilities

(e1) the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities

The provision of services and facilities to their communities is the core business of local councils. If they did not have this role they would not exist. So the impact of this merger proposal on the provision of adequate, equitable and appropriate services and facilities is an important issue for this public inquiry to consider.

13% of the written submissions to this inquiry raised issues regarding the service delivery impacts of the proposal. In addition, a number of people speaking at the public inquiry sessions raised concerns regarding the impact of the proposal on services and facilities. Overall, there is a general view expressed that each of the existing councils are performing well on service delivery and concern that services might decline under a new single council. In particular, there is a concern apparent that the very local or area-specific services or facilities might decline as the new council takes on a more regional focus to service delivery. For balance, it is noted that this is not a universal view and concerns were expressed in some submissions regarding current service delivery by the councils.

The merger proposal put forward by Warringah Council considers that the savings created as a result of the merger (\$111m over 20 years) will enable the new council to invest in improved service levels and/or a greater range of services. The proposal (page 13) lists a number of these opportunities, including environmental and open space initiatives, sporting facilities, transport improvements, coastal and harbour renewal and opportunities to deliver civic improvements in areas such as Mona Vale, Dee Why, Brookvale and Manly.

Submissions

Manly Council is concerned that the merger proposal contains no details regarding how the services and facilities currently enjoyed by Manly residents will be delivered in the future under a single council. Council advances the view that a very broad range of its services are “at risk” (page 25) under the merger proposal, including library services, community services, aquatic services, children’s and youth services, as well as the “likely loss” (page 27) of events such as Taste of Manly Food, Wine and Sustainability Festival and Manly Jazz Festival. There is no solid evidence provided as to why Manly Council considers these services are at risk or events likely to be lost, other than a general concern that “the proposal would enable resources to be drawn from Manly and its villages to others in Sydney’s Northern Beaches, and possibly Dee Why town centre ...” (page 27).

Pittwater Council highlights its service delivery record and its view that being small has enabled it to drive efficiency in service delivery, including quickest DA processing times in metropolitan Sydney. Council is of the view that the Warringah merger proposal fails to address service delivery and that a single northern beaches council will be unable to deliver locally tailored services as effectively as the current three councils.

Warringah Council in its submission espouses the view that a single council will be able to expand service delivery without raising rates, as a result of the savings generated by the merger proposal and staff and systems advantages. Council also expresses the view that there are a range of skills and specialisations across the three councils which can be brought together in the one place to the advantage of the community.

Consideration

As mentioned earlier, given the importance of service provision by local councils, this is an important factor for consideration by this public inquiry.

In terms of the existing level of service delivery by the respective councils, it is apparent that there are no metrics available to readily analyse whether a council is performing or not from a service delivery perspective. Figures collected by the Office of Local Government provide some gross measures of “effort” in service delivery, such as council expenditure, number of public libraries, Development Applications determined, but it is not apparent

from this data whether a council is delivering adequate, equitable and appropriate facilities and services for its communities.

One measure which gives some comparative data is to compare the three councils' expenditure on a per capita basis as this at least provides a measure of whether there is some general alignment on council service delivery expenditure. This is contained in **Table 9**.

Table 9 – Per capita expenditure by Pittwater and Warringah Councils 2014/15

Council	Population	Total expenditure 2014/15 (\$'000)	Expenditure per capita (\$)
Manly	44,786	61,652	\$1,377
Pittwater	63,338	77,799	\$1,228
Warringah	155,289	155,986	\$1,004

Source: Office of Local Government, preliminary 2014/15 data

As can be seen from this table, whilst there is some variation in expenditure on a per capita basis, the variation is not grossly different and may reflect the greater economies of scale available to a more populous council as well as some individually different priorities.

On a more qualitative basis, public submissions to this inquiry have, by default, generally indicated satisfaction with service provision by all three councils – often expressed as a concern that they will decline under a merged entity.

In terms of the likely impacts of the merger proposal on the provision of council facilities and services, there is no reason why the sort of standard local services and facilities provided by councils should not be at least maintained and more likely improved by a merged council. All three councils appear to be largely meeting the needs of their communities in this regard and there should be every expectation that this can continue under a merged council. This is supported by the observation that mergers often result in services being "equalised upwards". In other words, there is a tendency to try and give all residents and ratepayers the highest level of service enjoyed by residents and ratepayers in the constituent councils.

One exception to this is the risk that as the council's world view becomes more regional in nature, it could start to lose some of the focus on the very local services that communities demand. While there is no concern that the new council will not deliver the key municipal services of "roads, rates and rubbish" expected by residents and ratepayers, it will be important that the new council, if formed, has a close look at some of the very local service issues identified by Manly and Pittwater councils in their submissions. I am sure that with goodwill and a properly resolved representation and organisational structure that this issue can be managed, but it is important that it is on the new council's radar from day one. I have included a recommendation to ensure this is so.

One area of conspicuous support for the merger proposal is from sporting associations and other groups which operate across the current three councils. Associations such as the Manly Warringah Pittwater Sporting Union Inc. and Manly Warringah Football Association promote the advantages of a single council in taking a regional approach to matters such as ground allocation, maintenance standards and wet weather management compared to the current arrangements. In general, while it should be no contest that a single council could more effectively manage these more regionalised services, it will be important that

the new council, if formed, quickly identifies these areas of competitive advantage in order to start realising the benefits of the council from day one.

Overall, I consider that the proposed merger should enable the existing high levels of local service provision to continue and strengthen and to potentially provide improved services across a range of more regionalised services. The one area of concern is in relation to the very localised and place-specific services currently provided by the three councils and highlighted by Manly and Pittwater councils in their submissions. However, this can be managed in accordance with the following recommendation.

Recommendation

1. In the event that the merger proceeds, **it is recommended** that the new council conducts an audit of local place-specific services currently provided by the three councils with a view to identifying how those services can continue to be effectively provided by the new council.

6.7 Employment of Council Staff

(e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned

The impact of the merger proposal on the employment of council staff was raised in only 2% of submissions, most notably and not surprisingly by the affected councils.

Pittwater Council challenges whether the projected staffing efficiencies and savings as a result of the merger proposal will be realised due to the likely increased demand for council services. Council also highlights the culture change issues that will need to be resolved in bringing three different councils and their staff together.

Manly Council also considers likely staff savings to be exaggerated as a result of protections in the Local Government Act, as well as the continued demand for council services including possible increased demand over time.

Warringah Council considers the single council option will have a positive impact on council staff by creating career development opportunities, continuity and certainty, equity in recruitment and the ability to retain specialist functions and skills. Council contrasts the single council option with the divisive impact it considers a two council option would have on its staff.

Consideration

While implementation of the merger proposal will inevitably impact on the employment of council staff as a result of staff efficiency savings, there are legislative protections which seek to minimise these impacts. Of relevance to this merger proposal, these protections are:

1. Under section 354F of the Local Government Act, there can be no forced redundancy of any non-senior council staff for the first three years of any merged council. During this period, staffing efficiencies can only be generated through natural attrition and rationalisation of contract staff (General Managers and Senior Directors).

2. Under section 354I of the Local Government Act, there are restrictions on relocating staff to a work base outside the boundaries of their former council area for three years, where they would suffer unreasonable hardship from such a relocation.

Equally, it should be noted that there are very exciting opportunities for staff in a newly merged council for professional development and to operate within a bigger and more strategic setting.

The views of Pittwater and Manly councils that staff savings in the order of those predicted by Warringah Council in its merger proposal and by KPMG in its financial analysis are not accepted for the reasons discussed in Section 6.1 of this report. While it is agreed that there can be a demand under a new council for services to be “equalised up”, there will be considerable opportunities to find the relatively modest staff savings proposed under a council with operating revenue of \$373m by 2019-20 (KPMG Financial Analysis, page 2). It is accepted that a large part of these savings will not be achieved until 2019-20 at the earliest as a result of Local Government Act protections.

Overall, there are not considered to be any impediments to the merger proposal proceeding from the perspective of the impact of the proposal on the employment of council staff.

6.8 Impact on Rural Communities

(e3) the impact of any relevant proposal on rural communities in the areas concerned

As this merger proposal is located within the Sydney metropolitan area it is not considered that the proposal will impact on rural communities and consequently there is no further consideration of this matter required.

6.9 Desirability of Wards

(e4) in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards

As discussed in Section 6.5 (Elected Representation), the issues of representation and wards are intimately connected.

The desirability of wards was not a significant issue raised in written submissions, with only 1% making comment on the issue.

Both Pittwater Council and Warringah Council currently have a wards system, with three wards each. Manly Council does not have a wards system. All three councils have indicated support for a wards system in the event that the merger proposal proceeds, although both Pittwater and Manly councils have opposed the four wards system proposed by Warringah Council on the basis that “it would undoubtedly polarise Pittwater and Manly elected representatives and community, resulting in poor decisions and, based on recent history, disrupt good governance practices.” (Pittwater Council written submission, page 32). The basis of both councils’ concern is not obvious from their submissions.

Warringah Council in its submission proposes that any decision on ward boundaries be made by the new council on the basis of extensive consultation with its constituents.

One option put forward at the Manly public inquiry session by a Manly councillor was for four wards comprising the existing Manly LGA plus the suburbs of North Balgowlah, Manly Vale and Queenscliff; the existing Pittwater LGA; Warringah East; and Warringah West.

Consideration

While a wards system can foster a more parochial representation mind set in councillors, with the need to only represent the people in the ward and perhaps against the broader interests of the new council, it is considered desirable to introduce a wards system for the new council. This is because it will assist to mitigate the dilution in representation which will occur for Pittwater and Manly residents in particular, as well as the fact that residents in 2 of the 3 council areas are used to a wards system and it may assist with transition to a new merged council. However, it remains vitally important that councillors on the new council are focussed on driving the policy and strategy agenda of the council as a whole, not just the ward area they represent, and this will require the highest calibre councillors to be appointed.

Recommendation

1. In the event that the merger proposal proceeds, **it is recommended** that the new council area be divided into wards (potentially four wards with three councillors in each) following consultation with the community on proposed ward boundaries.

6.10 Representation of Diverse Communities

(e5) in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented

While this was an issue raised in only 1% of submissions, both Pittwater and Manly councils raise concerns about the ability of a merged council to effectively represent and service the diverse communities which would make up the new council. Many of the issues raised are similar to those raised and discussed in Sections 6.2 and 6.5 of this report relating to community of interest and elected representation.

Both Pittwater and Manly councils highlight the importance of their networks of community reference groups and committees in giving a voice to their diverse communities, with Pittwater Council indicating that it has 49 groups registered on its Community Register each with a minimum membership of 1,000 residents. Manly Council identifies 19 special purpose committees and five external committees operating in its area.

Warringah Council notes that all three councils have been formally recognised for their commitment to community engagement and considers this a strong foundation for a new council.

Consideration

It is accepted that there will be a change to the way in which community groups and individuals will interact with a new larger council should this merger proceed, however it is not considered that there should be any disenfranchisement of diverse communities. As discussed in Section 6.5 of this report, it is very important that the strong strategic community engagement undertaken by all three councils continues under a single northern

beaches council if one is formed. While this may involve some rationalisation of current community reference groups, it should be possible to use any wards system to continue to effectively drive community engagement.

Given the strong credentials all three councils appear to bring to the table on this issue there is not considered to be any impediment to the merger proceeding from this perspective.

6.11 Other Matters

(f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas

There are a number of other matters which I will deal with in this section. These are the strategic influencing capacity of the new council; concerns that a single council option will have adverse planning and development impacts, especially on Pittwater LGA; car parking issues; the name for a new council should it proceed; and boundary issues raised by Warringah Council.

Strategic influencing

One of the key motives for the reform of local government and perhaps the key motive for the program of council mergers, is to ensure that councils are relevant and able to participate as equal partners with state and federal governments in the big regional planning, transport and infrastructure decisions for areas.

Both the Independent Local Government Review Panel (2013) and IPART (2015) found that a single northern beaches council had superior scale and capacity to the existing councils continuing to operate as individual entities and, in the case of IPART, when compared to alternate merger options such as the two councils option.

As a single council, if formed, will represent a regionally significant population of 263,413 people (rising to 310,000 people by 2031), with an asset base of \$1.54bn (Merger Proposal, page 10), it is only logical that state and federal governments will be more receptive to the role a merged council can play in determining regional priorities on housing, employment and infrastructure. In my view, it is therefore unquestionably the case that a merger will be of immense benefit to the residents of the northern beaches from a strategic capacity viewpoint. Arguments that the existing SHOROC can achieve this, or that it is better to have two councils on the northern beaches in order to have an extra seat at the table for the district planning being undertaken by the Greater Sydney Commission, are in my view unconvincing. Ultimately, I think the region will be best served by having a single council to represent it on regional planning issues, provided the local representation and servicing roles can be resolved.

Protecting Pittwater's environment

There is a strong view from residents of Pittwater LGA that a single northern beaches council will result in the erosion of the environmental values of the area as higher density housing is extended northwards under a new council. Many submissions from Pittwater LGA residents reference that it was development issues that precipitated the split of Pittwater from Warringah LGA in 1992 and express concern that creating a single northern beaches council will mean that the character of Pittwater will change to a high rise, high density future.

While these concerns are strongly felt and legitimately expressed, I do not consider it necessary to establish a local council on the basis that it only includes areas of similar development character, as is the basis for the two councils option. Many councils in Sydney contain areas of quite different development density and character across their area and manage this effectively through a combination of Local Environmental Plan zonings and density controls and Development Control Plans. While the historic reasons for the establishment of Pittwater LGA are appreciated, I consider that it is possible for the current Pittwater LGA to sit within a single northern beaches council and largely retain its current scale and character through appropriate planning controls. This applies equally to residents of Manly LGA who have similar concerns.

Council car parking permits

A number of submissions to this public inquiry have expressed concern regarding the impact of the proposal on council car parking permits. In fact, many of the submissions which were instigated by the Manly Council campaign were motivated by a concern that a single northern beaches car parking permit, as proposed in the merger proposal (page 3), would mean that residents would be “parked out” of their local beaches.

Ultimately, merger proposals should not live or die on something as commonplace as council car parking permits and I am sure that any new council, if formed, could develop a car parking permit scheme which balances competing concerns as an early initiative.

Council name

It is logical that if a new council is formed that it be known as the Northern Beaches Council. Even opponents of the merger seem to have no strong view that such a name would be inappropriate. An alternative option might be to name the new council Manly-Warringah Council, but in my view this would be unnecessarily insensitive to the views and aspirations of Pittwater residents and ratepayers and is not recommended.

Boundary issues

Warringah Council in its submission has identified a number of minor boundary anomalies related to its current boundaries which will not be resolved with the creation of a single northern beaches council. There may be similar issues with Pittwater and Manly LGA boundaries which should also be examined. **It is recommended** that these boundary issues be examined and resolved early in the life of a new council if it proceeds, in consultation with adjoining affected councils.

Recommendation

1. In the event that the merger proceeds, **it is recommended** that the new council investigate the boundary anomalies contained in Warringah Council’s submission and any other issues identified by Pittwater and Manly councils as an early priority in consultation with adjoining affected councils and initiate mutually agreed boundary adjustments if appropriate.

7.0 RECOMMENDATIONS

Following from my assessment of the proposal for a merger of Manly, Pittwater and Warringah councils as contained in Warringah Council's merger proposal of February 2016, as well as written and verbal submissions and all other information available to me, against the factors in section 263(3) of the Local Government Act, **I recommend** that the merger proposal be **approved and proceeds**. I **further recommend** that:

1. There be 12 councillors on the new council.
2. The new council establish a strong network of community reference groups and other committees to ensure community representation on an appropriate geographic basis (possibly aligned to wards) to provide input into setting the new council's strategic directions and other key strategic and operational matters.
3. The new council conduct an audit of local place-specific services currently provided by the three councils with a view to identifying how those services can continue to be effectively provided by the new council.
4. The new council area be divided into wards (potentially four wards with three councillors in each) following consultation with the community on proposed ward boundaries.
5. The new council investigate the boundary anomalies contained in Warringah Council's submission and any other boundary issues identified by Pittwater and Manly councils as an early priority in consultation with adjoining affected councils and initiate mutually agreed boundary adjustments if appropriate.



Richard Pearson
Delegate

8.0 APPENDIX A

Strengthening local government



Office of
Local Government

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Mr Richard Pearson
Department of Premier and Cabinet
GPO Box 5341
Sydney NSW 2001

richard.pearson@dpc.nsw.gov.au

Dear Mr Pearson

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

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

Yours sincerely

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

Tim Hurst
Acting Chief Executive
Office of Local Government

25/2/16

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INSTRUMENT OF DELEGATION

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

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

Signed:  Date: 25/2/16

A/Chief Executive
Office of Local Government

Part A	Part B
Richard Pearson	Proposal made by Warringah Council to amalgamate the existing areas of Manly, Warringah and Pittwater into one new area.
Ian Reynolds	Proposal made by the Minister for Local Government to amalgamate the existing areas of North Sydney, Willoughby and Mosman into one new area.

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