



Canada Bay Greens

Response to the Burwood/ Canada Bay/ Strathfield councils amalgamation proposal

Summary

Canada Bay Greens is **not** in favour of this merger proposal and instead proposes that Canada Bay Council should continue to stand alone, for the reasons outlined below.

The proposal promises a total financial benefit of \$85 million over a 20 year period. This figure comprises a \$25 million grant from the NSW Government, which artificially inflates the so-called benefit and is paid for by the taxpayer. The 'saving' component is \$60 million and as indicated is mainly achieved through job cuts.

Meanwhile, the costs of the merger have been grossly understated. The proposed merger will cost tens of millions of dollars, divert the attention of councillors and staff from the core needs of its constituents, and undermine the capability of councils to pay down debt. A company which released an investment prospectus of this standard could face major sanctions.

It is claimed that the new council will be in a position to use its larger scale and capacity to more effectively advocate for the needs of the communities. Yet the proposed merger will increase the ratio of residents to elected councillors to 18,113 residents per councillor (from 5,150 in Burwood, 9,720 in Canada Bay and 5,640 in Strathfield). This will instead *reduce* the opportunities for residents and ratepayers to get a fair hearing for their concerns, with councillors more distant from the local neighbourhoods they represent.

This submission is organised under the headings of the Key Factors of concern to Canada Bay Greens. We have grouped some of the key factors where the issues overlap.

In addition to our responses under these criteria, comment must be made on the fact that – many times over several years – the NSW Government has promised no forced amalgamations. They hold no mandate for these changes, regardless of any supposed benefits they argue. Their autocratic behaviour in breaking promises matches their disrespect for the desires of residents, who have constantly answered no to council amalgamations whenever they have been asked. And the expensive, dishonest advertising campaign on council amalgamations just makes it worse.

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Financial advantages and disadvantages of the proposal to the residents:

Flawed methodology of assessing council finances

Any assessment of advantages and disadvantages will be based on an explicit or implicit methodology. Before looking at IPART's review, it is useful to revisit the report of the Parliamentary Inquiry into Local Government of October 2015 which examined the IPART and the Fit for the Future program.

Amongst other things, the Inquiry found that it was unfair and misleading for IPART and the NSW Government to label councils as being 'not fit' and that, while IPART may have had the capacity to analyse the finances of local government, it did *not* have the demonstrated skill to assess the *fitness of councils as democratically elected responsible local bodies*. Not surprisingly, IPART focused on finances, with no significant discussion of political impacts.

The Parliamentary Inquiry's report referred to the expressed concern by independent reviews over infrastructure backlogs, underspending on asset maintenance, operating deficits and the variability of financial sustainability between councils. It identified those factors which adversely affected financial sustainability – namely, rate pegging, rate exemptions, cost shifting by state and federal governments and the freezing of financial assistance grants to councils.

In other words, much of the financial pressure on councils arises from the state and federal governments expecting councils to do more, while not allowing full cost recovery and freezing up income sources either from residents or from government. Useful change

will not emerge from using a methodology which blames councils. Rather we need to identify the larger systemic issues.

In particular, the Parliamentary Inquiry criticised the Fit for the Future criteria of scale and capacity which had no objective, measurable performance measures that could be clearly defined. The Inquiry considered such benchmarks to be vital if they were to be used for widespread structural reform. While scale occurs with a larger council simply by definition, the Fit for Future proposed amalgamations have not demonstrated greater capacity – only that government wants future councils be bigger irrespective of any actual tangible benefits.

For a more objective view of the state of local government financial sustainability, consider the findings of the Treasury Corporation's review of NSW Local Government of 2013, where many councils – including the three councils being considered here – were found to be financially viable now and into the future. We have no doubt that the TCorp review, with its objectively stated benchmarks, represents a more reliable, methodologically sound snapshot of future council viability than any KPMG report that we have not seen.

Strathfield Municipal council was found by IPART to be financially strong and sustainable as a stand-alone council. Burwood and City of Canada Bay were assessed in a separate merger proposal (with Auburn).

With the KPMG report, the Government relies on an external source to justify its claims of benefits from amalgamation, but it has chosen to not release key source documents, and to obfuscate even how much of that source has been released.

The discounted cash flow analysis (DCF) used by KPMG uses two simplified alternatives: one supposedly representing the status quo, but not very well, with the other reflecting their *assumed* better outcomes. The justification for these assumed better outcomes was weak. The DCF by itself added no other insight beyond their original assumptions.

In summary, the methodology was not based on clear benchmarks, was focused predominantly on supposed financial benefits, was clearly not transparent, and its analysis contradicted other, more reliable work from the Government. It is therefore not surprising that the case for the supposed benefits to be achieved was clearly faulty and perceived as politically motivated.

Slippery definition of benefits

The Government claims that this amalgamation would see a total financial benefit of \$85 million over a 20 year period. This includes a \$25 million grant from the NSW Government, which artificially inflates the so-called benefit and is paid for by the taxpayer, so should be discounted. However, it apparently does not include another cost to taxpayers: the misleading Fit For the Future advertising.

In addition, page 10 of the Government's proposal document states that:

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

Given that the Government is freezing rate increases for a period, but not providing further information of substance, this unsupported statement carries little value.

Grossly optimistic claimed benefits not substantiated

The Government has chosen to release only selected extracts and a [high level summary](#) from the study undertaken by its consultants, KPMG to support these alleged savings. It is impossible for the community to make a full submission on the Government's financial case for amalgamation without having access to the complete study for each and every council. What is apparent from the publicly available information about the [KPMG study](#) is that it:

- Inflates any potential savings from future contracting arrangements in amalgamated councils. This sloppy analysis overlooks the fact that Canada Bay and Burwood councils already enter into many contracts through South Sydney Regional Organisation of Councils (SSROC) contract tenders, when there are identifiable economies of scale from doing so.
- Assumes [large staff losses](#) in the merged council that will inevitably impact on local services and the local economy. The supposed benefit of sacking staff has simply been assumed based on a template, not properly calculated based on actual council needs.
- Grossly underestimates the likely costs to councils from renewing each council's IT infrastructure following the merger, quite possibly by a factor greater than ten.
- Fails to consider the very real costs the council and local community will incur with a less responsive and larger council that has less intimate knowledge of local needs.
- Last but not least, it ignores the large loss of council staff time and resources in implementing an unwelcome council amalgamation process, without sufficient support from the NSW Government despite foisting it on an unwilling electorate.

Ignoring expert input and international comparisons

While the NSW Government relies on its absent KPMG report, it has no regard to the [informed academic opinions](#) based on detailed empirical studies of past council mergers that have shown that forced amalgamations typically fail to generate financial sustainability for local councils. Professor Brian Dollery, the director of the University of New England's Centre for Local Government, described the KPMG report as being "awash with errors".

Based on international comparisons, there is not a good case for making any of these councils any larger. Sydney councils are on average almost four times larger than metropolitan councils across the developed world. The average population of [OECD metropolitan councils is 27,224](#) while the proposed average population of Sydney councils will be 104,493 residents.

Apparent inaccuracies in proposal documentation

The original proposal carried inaccuracies on past council budget figures. While some of these have been corrected, this does not add to confidence in the proposal.

Communities of interest & geographical cohesion in existing areas & proposed area.

One of the unintended but extremely expensive consequences of these proposed mergers is the effect that having such large wholesale changes of council boundaries will have on the collection and analysis of statistical information by the Australian Bureau of Statistics (ABS). Currently the defined Local Government Areas form one of the basic building blocks in the collection and analysis of census data. In particular, the SEIFA Index (Socio-Economic Indexes for Areas) is primarily based on information collected in LGAs and is used to determine health, education, housing, employment and business decisions for both government and commercial users.

Altering LGA boundaries on the scale that has been proposed will have a chaotic effect on such regulatory functions as liquor and gaming licenses, and child care rebates which are based on the demographic information supplied by the ABS. Besides the immediate impact on residents, the effect of these changes on data collection will require a massive realignment of ABS data analysis.

The three proposed council areas are geographically quite different and certainly the Canada Bay area is remote both in distance and focus from the Burwood/Strathfield areas. Taking into account the fact that the Canada Bay Council area is already the result of an amalgamation, it has an area of 19.82sq km. The residents in the Canada Bay area have the benefit of proximity to the harbour, to Parramatta River and have open parks and golf courses in their environment rather than commercial or industrial developments.

The City of Canada Bay population forecast for 2016 is 89,000, and is forecast to grow to 120,761 by 2036, an increase of 35.69% in that period. The local government area has experienced massive residential growth in the Rhodes area and has been targeted to have large areas rezoned for medium and high-density growth as part of the Urban Growth strategy which focuses on transport corridors.

To put the size of this Local Government Area into some kind of perspective, the City of Canada Bay is *already* larger than most regional cities in NSW including Coffs Harbour, Dubbo and Orange and larger than most cities in other States such as Rockhampton and Launceston.

Existing historical & traditional values in the existing areas, impact of change

People have a deep historical attachment to their local area, however that is defined, because our council, our suburbs are our “land” to which we are most attached, certainly more than to our “State” and in some ways more than our country. Burwood and Strathfield Council areas have an historical identity beginning in the 1870s when they were first established and they wish to retain that character even though it has changed over time with the integration of newer residents who have migrated from other countries.

A larger council has less flexibility, with a tendency toward homogenised approaches at odds with the interests of different cultural groups.

Attitudes of the residents and ratepayers of the areas concerned.

The Inquiry needs to do more to determine whether residents and ratepayers support the proposed amalgamation. No survey of residents and ratepayers has been conducted to test the current proposal for an amalgamation of Canada Bay, Burwood and Strathfield Councils. All previous surveys on other amalgamation proposals (commissioned by Canada Bay Council) consistently showed that over 70% of Canada Bay residents wanted Canada Bay to stand alone and not amalgamate with any other council. For example, Canada Bay Council commissioned Micromex to undertake a statistically valid phone survey of residents: 70% were 'supportive' or 'completely supportive' of Council standing alone, compared to 24% for the then merger option. (Source: Canada Bay Council Meeting Agenda 26.5.15 Item 1.)

A majority of Strathfield and Burwood residents have also been opposed to amalgamations.

Canada Bay Greens calls for a binding plebiscite of residents and ratepayers of the areas affected by this proposal, ie if the majority are opposed, no merger should proceed.

The fact that the NSW Government promised no forced amalgamations might be mitigated by demonstrating that voter support existed for amalgamations. However, it is our view that residents are strongly against amalgamation. The fact that the State government is pursuing amalgamation without any demonstrated resident support strongly undermines the validity of the process, not to mention a lack of respect for the public.

Elected representation and wards

Effects of the merger on elected representation

Desirability (or otherwise) of dividing the resulting area or areas into wards *and*

Ensuring the opinions of diverse communities are effectively represented.

The requirement for greater scale and capacity – asserted by the NSW Government as an obvious improvement – rather represents a corrosive attack on the ability of councils to operate as *local* institutions. The “Fit for the Future” methodology substantially **glosses over the effects on democracy** arising from applying the most extreme current example of low representation (Blacktown) to virtually every other council.

The proposed amalgamation represents an attack on democracy in the following ways:

- *Local* government will no longer be *local*.
- The proposed merger, with 9 recommended councillors, would **dramatically increase the ratio of residents to elected councillors** to 18,113 residents per councillor (from 5,150 in Burwood, 9,720 in Canada Bay and 5,640 in Strathfield).
- In regard to scale and capacity, the **larger scale reduces the capacity** to represent constituents.

- This loss of representation will **reduce the democratic rights of residents** and ratepayers to have their concerns dealt with by their elected representatives.
- Larger scale will favour “**lowest common denominator**” candidates and policies, **repressing diversity** of all kinds, producing negative **economic, political and cultural impacts**.
- Larger councils will create an **environment favouring the major parties** and reducing the opportunities for genuine local independent candidates.
- Larger councils will reduce the opportunities for gender equity in local government, with fewer positions numerically available as councillors and in senior management. A reduction of women's participation and influence in the decision-making process would consequently lead to a significant loss of women's perspectives in policy making.
- Poor representation has **financial costs for residents** in terms of reduced amenity and frustration in dealing with council. It also has **financial costs for the council**, including legal costs that in some cases could be otherwise avoided.
- The proposed amalgamation **will divert effort from genuine reform**. In particular, amalgamation will not deal with ethical issues such as corruption, but simply **change their scale, without any change in capacity** to deal with it.

Canada Bay Greens is opposed to any further amalgamations between Canada Bay Council and any other Councils. However, in the case that State Government determines to both in individual and the larger network proceed with the current proposal, we offer the following recommendations:

- The **number of councillors** needs to be the maximum allowed to minimise this loss of elected representation. The amalgamated council should consist of **14 or 15 councillors**. Insufficient councillors will cause hardship in meeting residents needs.
- The division of the area into **large wards** could partially ameliorate the loss of local representation and local knowledge, for example with two wards of seven councillors or three wards of five councillors.
- Large wards could also partially mitigate the loss of **diversity in representation**, so that the opinions of diverse communities can be effectively represented. Conversely, small wards would be dominated by the major parties and exclude diverse local representation.
- **Precinct committees in suburbs** should also be set up to allow resident input into local decision making.
- **More “place making” initiatives**, which seriously incorporate resident participation would also be needed.

Impact on staff and services

Impacts on services and facilities

Impacts on council staff.

Our experience of the previous amalgamation in this area shows that any merger process will have a negative effect on the ability of the council to provide adequate, equitable and appropriate services and facilities for an extended period. The restructuring process causes disruption to regular services, with staff changes and the need to consolidate three different organisational structures.

There was a previous amalgamation in this area in 2000. Canada Bay Council was formed from the amalgamation of Concord and Drummoyne Councils. During that restructuring period there was a reduction in support for community services. For example, Bushcare volunteers were left without coordination or support for several months, presumably due to staff redundancy. Drummoyne Library was closed, with the area occupied by the newly enlarged Council administration. Many Drummoyne residents are still unhappy about this library closure, 15 years after the event.

The ridiculous proposals for information technology, by understating future costs, will blow the merged council budget, destroying the claimed savings. Refusing to accept the need for an effective system at a real market cost would simply cripple council operations. In any case, major impacts on both residents and staff will occur, beginning within months and rising for several years until a new system is in place.

All these additional costs will absorb monies which would otherwise be used on providing essential services to residents, which after all is the purpose of local councils.

The mechanics of the merger will divert council attention for years to come. It is likely that a new building will be required to house the more centralised and larger council administrative staff and councillors. Core decisions such as where to put the main council administration building become complex and fraught while existing council staff and community stakeholders make the transition to a new organisation, with changed levels of staff and community influence over the new structure.

END OF SUBMISSION