



Hawkesbury City Council

extraordinary  
meeting  
business  
paper

date of meeting: 28 January 2016  
location: council chambers  
time: 6:30 p.m.



# mission statement

***“To create opportunities  
for a variety of work  
and lifestyle choices  
in a healthy, natural  
environment”***

## **How Council Operates**

Hawkesbury City Council supports and encourages the involvement and participation of local residents in issues that affect the City.

The 12 Councillors who represent Hawkesbury City Council are elected at Local Government elections, held every four years. Voting at these elections is compulsory for residents who are aged 18 years and over and who reside permanently in the City.

Ordinary Meetings of Council are generally held on the second Tuesday of each month (except January), and the last Tuesday of each month (except December), meeting dates are listed on Council's website. The meetings start at 6:30pm and are scheduled to conclude by 11pm. These meetings are open to the public.

When an Extraordinary Meeting of Council is held, it will usually also be held on a Tuesday and start at 6:30pm. These meetings are also open to the public.

### **Meeting Procedure**

The Mayor is Chairperson of the meeting.

The business paper contains the agenda and information on the items to be dealt with at the meeting. Matters before the Council will be dealt with by an exception process. This involves Councillors advising the General Manager by 3pm on the day of the meeting, of those items they wish to discuss. A list of items for discussion will be displayed at the meeting for the public to view.

At the appropriate stage of the meeting, the Chairperson will move for all those items which have not been listed for discussion (or have registered speakers from the public) to be adopted on block. The meeting then will proceed to deal with each item listed for discussion and decision.

### **Public Participation**

Members of the public can register to speak on any items in the business paper other than the Confirmation of Minutes; Mayoral Minutes; Responses to Questions from Previous Meeting; Notices of Motion (including Rescission Motions); Mayoral Elections; Deputy Mayoral Elections; Committee Elections and Annual Committee Reports. To register, you must lodge an application form with Council prior to 3pm on the day of the meeting. The application form is available on Council's website, from the Customer Service Unit or by contacting the Manager - Corporate Services and Governance on (02) 4560 4444 or by email at [council@hawkesbury.nsw.gov.au](mailto:council@hawkesbury.nsw.gov.au).

The Mayor will invite registered persons to address the Council when the relevant item is being considered. Speakers have a maximum of three minutes to present their views. The Code of Meeting Practice allows for three speakers 'For' a recommendation (i.e. in support), and three speakers 'Against' a recommendation (i.e. in opposition).

Speakers representing an organisation or group must provide written consent from the identified organisation or group (to speak on its behalf) when registering to speak, specifically by way of letter to the General Manager within the registration timeframe.

All speakers must state their name, organisation if applicable (after producing written authorisation from that organisation) and their interest in the matter before speaking.

## **Voting**

The motion for each item listed for discussion will be displayed for Councillors and public viewing, if it is different to the recommendation in the Business Paper. The Chair will then ask the Councillors to vote, generally by a show of hands or voices. Depending on the vote, a motion will be Carried (passed) or Lost.

## **Planning Decision**

Under Section 375A of the Local Government Act 1993, voting for all Planning decisions must be recorded individually. Hence, the Chairperson will ask Councillors to vote with their electronic controls on planning items and the result will be displayed on a board located above the Minute Clerk. This will enable the names of those Councillors voting For or Against the motion to be recorded in the minutes of the meeting and subsequently included in the required register. This electronic voting system was an innovation in Australian Local Government pioneered by Hawkesbury City Council.

## **Business Papers**

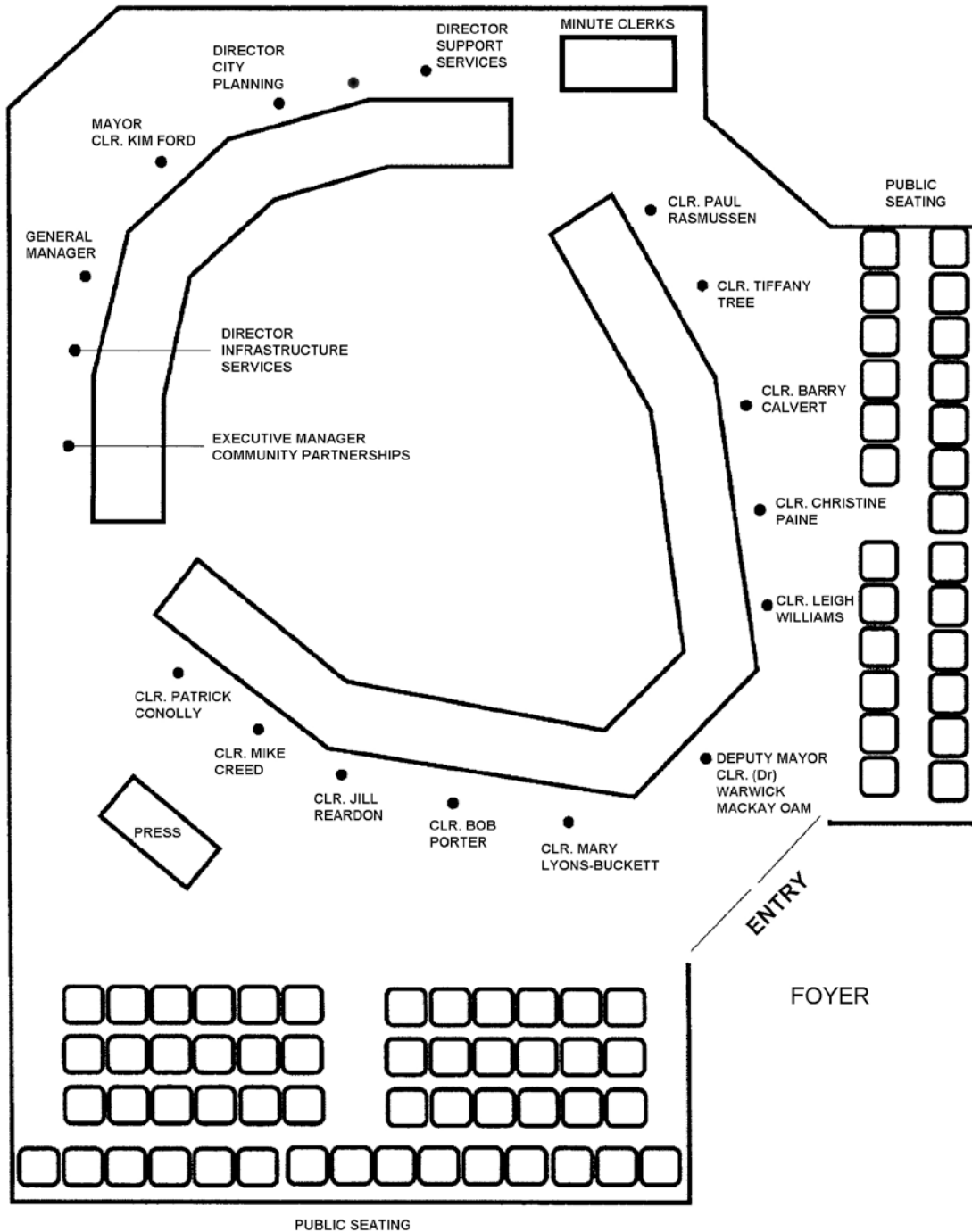
Business papers can be viewed online from noon on the Friday before the meeting on Council's website: <http://www.hawkesbury.nsw.gov.au>.

Hard copies of the business paper can be viewed at Council's Administration Building and Libraries after 12 noon on the Friday before the meeting, and electronic copies are available on CD to the public after 12 noon from Council's Customer Service Unit. The business paper can also be viewed on the public computers in the foyer of Council's Administration Building.

## **Further Information**

A guide to Council Meetings is available on the Council's website. If you require further information about meetings of Council, please contact the Manager, Corporate Services and Governance on, telephone (02) 4560 4444.

# Hawkesbury City Council





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**General Manager**

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## EXTRAORDINARY MEETING

Meeting Date: 28 January 2016

### Reports for Determination

#### GENERAL MANAGER

**Item: 1**                      **GM - Submission - Merger Proposal - Hawkesbury City Council and Part of The Hills Shire Council - (79351)**

**Previous Item:**        226, Extraordinary (15 December 2015)  
                             MM, Ordinary (8 December 2015)  
                             MM, Ordinary (24 November 2015)  
                             MM, Ordinary (27 October 2015)  
                             116, Ordinary (28 July 2015)

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#### **REPORT:**

##### **Executive Summary**

The Mayor has received a request signed by Councillors J Reardon and T Tree, asking that he call an Extraordinary meeting of Council *"to consider Council's submission to the proposed merger and inquiry. The meeting should also consider how to communicate and fund Council's position."*

As such, in accordance with the requirements of Clause 2.1.4 of Council's Code of Meeting Practice, the Mayor has called an Extraordinary meeting of Council to be held on Thursday, 28 January 2016, commencing at 6:30pm in the Council Chambers.

This report deals with Council's submission regarding the proposed merger between Hawkesbury City Council and part of The Hills Shire Council. Another report on this Business Paper deals with the merger-related public information campaign.

This report recommends that Council endorse the attached Overview, which outlines the key matters to be addressed in both Council's written submission and presentation to the public inquiry for the merger proposal. The report also recommends that an Extraordinary meeting of Council be held on Tuesday, 16 February 2016 to consider and formally endorse Council's submission in regard to this matter.

##### **Consultation**

Opportunities are available for the community to express their opinion regarding the merger proposal including a public inquiry and by providing a submission to the proposal. These are outlined in the report.

##### **Background**

On 18 December 2015, the NSW State Government announced merger proposals for NSW councils, including a proposal that Hawkesbury City Council be merged with part of The Hills Shire Council.

On 6 January 2016, the Minister for Local Government, the Hon. Paul Toole MP (the Minister), advised that he had referred a council merger proposal regarding Hawkesbury City Council and part of The Hills Shire Council to the Chief Executive of the Office of Local Government (OLG) for examination and report under the Local Government Act, 1993 (the Act). A copy of the *Merger Proposal: Hawkesbury City Council The Hills Shire Council (part) - January 2016* is attached as Attachment 1 to this report.

The Chief Executive of the OLG has delegated the function of examining and reporting on the merger proposal to a Delegate, which in the case of the subject merger, is Mr Garry West.

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In reviewing and reporting on the merger proposal, Mr West will conduct a public enquiry, call for written submissions and prepare a report against the criteria outlined in the Act. Mr West's report will be forwarded to the Minister and the Boundaries Commission for comment. The Boundaries Commission will provide the Minister with its comments and the Minister will then make a decision on whether to proceed with the merger proposal and, if so, what the form and nature of any new council including its boundaries would be.

The criteria in the Act referred to above is contained in Section 263 (3) of the Act and is as follows:

- "(3) When considering any matter referred to it that relates to the boundaries of areas or the areas of operations of county councils, the Boundaries Commission is required to have regard to the following factors:
- (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."

Mr West has now advised of the details of the public inquiry relating to this merger proposal, which are as follows.

- Date: Thursday, 4 February 2016  
Time: 1pm-5pm  
Venue: Castle Hill RSL Club
- Date: Thursday, 4 February 2016  
Time: 7pm-10pm  
Venue: Castle Hill RSL Club
- Date: Friday, 5 February 2016  
Time: 1pm-5pm  
Venue: Hawkesbury Race Club

Members of the public who would like to attend are requested to register using the online registration form available at <https://www.councilboundaryreview.nsw.gov.au/proposals/hawkesbury-city-and-the-hills-shire-councils/> or by contacting 1300 813 020. Members of the public who would like to speak at the inquiry are requested to indicate that they wish to do so when they register to attend. Registrations to speak will close at 12 noon on Friday, 29 January 2016.

## **EXTRAORDINARY MEETING**

**Meeting Date:** 28 January 2016

The period for submissions regarding the merger proposal has now commenced and will close at 5pm on Sunday, 28 February 2016. Submissions can be made online at the above-mentioned website or by mail to:

Council Boundary Review Submissions  
GPO Box 5341  
SYDNEY NSW 2001

Mr West has indicated that Council can make a submission on the merger proposal and strongly encouraging Council, through the Mayor to speak at the public inquiry on Friday, 5 February 2016 at the Hawkesbury Race Club. Mr West encouraged Council to address the criteria in the Act (as outlined above) when making a submission and speaking at the public inquiry.

Council staff are currently preparing a detailed submission for Council's consideration addressing the criteria outlined in Section 263(3) of the Act and it is envisaged that the draft submission will be considered at the Councillor Briefing Session on Tuesday, 9 February 2016 and then subsequently submitted for consideration and endorsement by Council at an Extraordinary meeting of Council to be held on Tuesday, 16 February 2016.

With regard to the Mayor speaking at the public inquiry on Friday, 5 February 2015, due to the tight timeframes involved, an Overview of the key points to be addressed in Council's detailed submission has been prepared for Council's consideration. This Overview will form the basis of Council's formal submission to the Delegate on the merger proposal. The Overview is attached as Attachment 2 to this report for Council's consideration.

The submission and response, whilst addressing the key criteria, is still supporting Council's adopted position of opposing any amalgamation.

The Overview provides commentary on the financial benefits and impacts of the merger proposal as well as comments on communities of interest, geographic cohesion, services and infrastructure and local representation.

If the Overview is endorsed by Council, it will be used as the basis of the Mayor's address to the public inquiry on Friday, 5 February 2016.

### **Summary**

An Overview of the key matters to be addressed in Council's detailed submission regarding the merger proposal has been prepared (Attachment 2) for Council's consideration. If the Overview is endorsed by Council, it will be used as the basis of the Mayor's address to the public inquiry on Friday, 5 February 2016.

Council's formal submission to the Delegate, Mr West, on the merger proposal will be considered at the Councillor Briefing Session on Tuesday, 9 February 2016 and then subsequently submitted for consideration and endorsement by Council at an Extraordinary meeting of Council to be held on Tuesday, 16 February 2016.

### **Conformance to the Hawkesbury Community Strategic Plan**

The proposal is consistent with the Shaping Our Future Together Directions Statement;

- Maintain its independent identity and voice through strong local government and community institutions.

### **Financial Implications**

There are no financial implications directly applicable to this report.

## **EXTRAORDINARY MEETING**

**Meeting Date:** 28 January 2016

### **RECOMMENDATION:**

That:

1. Council endorse the Overview of the key matters in response to the merger proposal between Hawkesbury City Council and part of The Hills Shire Council, attached as Attachment 2 to the report.
2. An Extraordinary Meeting of Council be held on Tuesday, 16 February 2016 at 6:30pm in the Council Chambers to consider Council's formal submission to the merger proposal between Hawkesbury City Council and part of The Hills Shire Council.

### **ATTACHMENTS:**

**AT - 1** Merger Proposal: Hawkesbury City Council The Hills Shire Council (part) - January 2016

**AT - 2** Overview of the key matters in response to the merger proposal between Hawkesbury City Council and The Hills Shire Council (part)

AT - 1    **Merger Proposal: Hawkesbury City Council  
The Hills Shire Council (part) - January 2016**

Merger Proposal:

# **Hawkesbury City Council The Hills Shire Council (part)**

JANUARY 2016

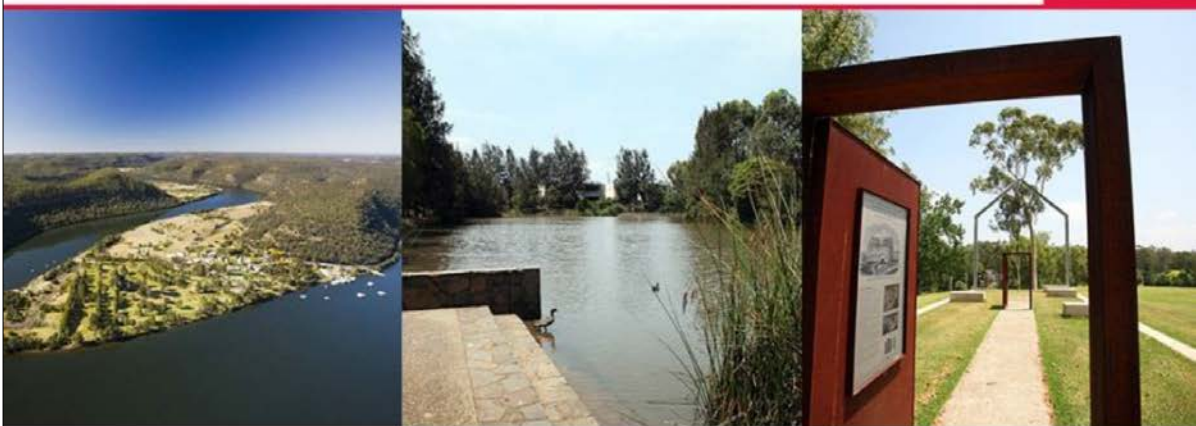
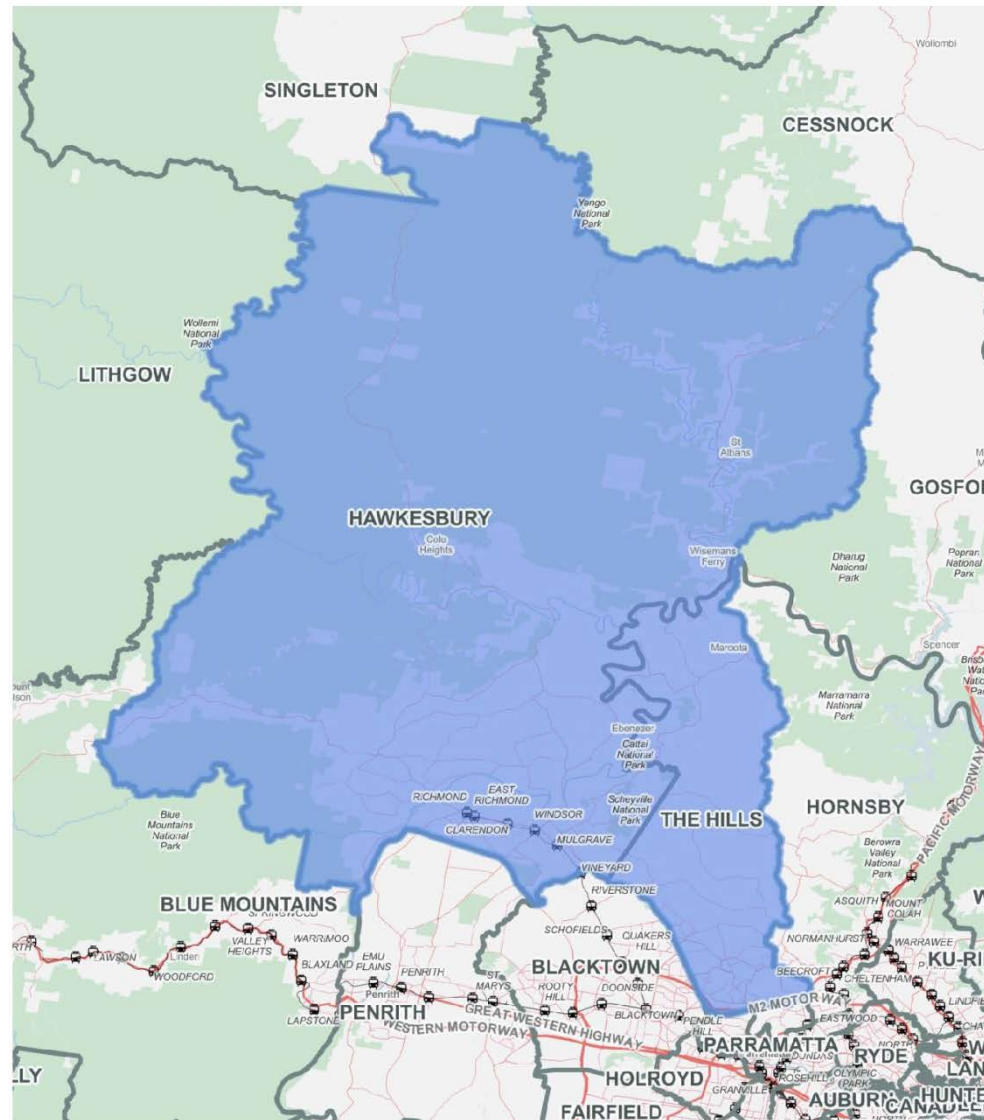


Figure 1: Proposed new local government area



## Proposed merger: Hawkesbury and The Hills

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



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



## MINISTER'S FOREWORD

Four years of extensive consultation, research and analysis have demonstrated that change is needed in local government to strengthen local communities.

Independent experts have concluded that NSW cannot sustain 152 councils – twice as many as Queensland and Victoria.

After considering the clear need for change, the Independent Local Government Review Panel (ILGRP) research and recommendations, the assessment of councils by the Independent Pricing and Regulatory Tribunal (IPART), council merger preferences, community views and the unique needs and characteristics of each area, I am pleased to present the proposal to merge the local government areas of Hawkesbury City and The Hills.

The proposed merger will create a council better able to meet the needs of the community into the future and will provide significant benefits for the community.

This document details the benefits the merger will provide to communities, including:

- a total financial benefit of \$74 million over a 20 year period that can be reinvested in better services and more infrastructure;
- a projected \$9.9 million increase in annual operating results achieved within 10 years;
- potentially reducing the reliance on rate increases through Special Rate Variations (SRVs) to fund local infrastructure;
- greater capacity to effectively manage and reduce the infrastructure backlog, in particular in the Hawkesbury Council area;
- improved strategic planning and economic development to better respond to the changing needs of the community;
- effective representation by a council with the required scale and capacity to meet the future needs of the community; and
- providing a more effective voice for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments.

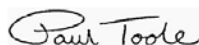
With the merger savings, NSW Government funding of \$20 million – and a stronger voice – the new council will be better able to provide the services and infrastructure that matter to the community, projects like:

- revitalising and enhancing town centres and existing community facilities;
- upgrading local road networks and improving road maintenance, in particular rural roads;
- investing in wastewater infrastructure to ensure clean waterways and safe food, for oyster farmers and others that rely on the natural environment; and
- encouraging the promotion of economic growth and employment through the development of local industries.

The savings, combined with the NSW Government's policy to freeze existing rate paths for four years, will ensure that ratepayers get a better deal.

A suitably qualified delegate of the Chief Executive of the Office of Local Government will consider this proposal against criteria set out in the *Local Government Act (1993)*, and undertake public consultation to seek community views.

I look forward to receiving the report on the proposal and the comments from the independent Local Government Boundaries Commission.



Minister Paul Toole

January 2016

## EXECUTIVE SUMMARY

The North Western Sydney communities of Hawkesbury City and The Hills Shire share many common characteristics and connections and will benefit by \$74 million from a merged council with a stronger financial capability to deliver on community priorities and meet the future needs of its residents.



### Introduction

This is a proposal by the Minister for Local Government under section 218E(1) of the *Local Government Act (1993)* for the merger of Hawkesbury City and the Hills Shire local government areas north of the M2<sup>1</sup>. This merger proposal sets out the impacts, benefits and opportunities of creating a new council.

The creation of this new council will bring together communities with similar expectations in terms of demands for services, infrastructure and facilities. This approach utilises the M2 Motorway as a natural boundary for the new council.

The proposal has been informed by four years of extensive council and community consultation and is supported by independent analysis and modelling by KPMG.

The proposal is broadly consistent with the 2013 findings of the Independent Local Government Review Panel (ILGRP) as well as the Independent Pricing and Regulatory Tribunal's (IPART) 2015 assessment that the Hawkesbury City Council is 'not fit'.

IPART determined that, while both Hawkesbury City and The Hills Shire councils satisfy scale and capacity criteria, Hawkesbury City Council does not satisfy the criterion for financial sustainability. IPART noted that a merger between both councils has the potential to generate net financial benefits for their local communities and could lead to an improved financial position overall.

The new council for the new local government area will not only oversee an economy that shares many similar residential, workforce and industry characteristics, but will have enhanced scale and capacity to help it deliver on local infrastructure priorities such as the North West Priority Land Release Area.

### Impacts, Benefits and Opportunities

A range of benefits and opportunities has been identified from the proposed merger, including a stronger balance sheet to meet local community needs and priorities.

Analysis by KPMG shows the new council has the potential to generate net savings to council operations. The merger is expected to lead to more than \$54 million in net financial savings over 20 years.

Council performance will also be improved with a projected \$9.9 million increase in annual operating results achieved within 10 years.<sup>2</sup> This means that there will be a payback period of three years after which the merger benefits will exceed the expected costs.

The analysis also shows the proposed merger is expected to generate, on average, around \$5 million in savings every year from 2020 onwards. Savings will primarily be from the removal of duplicate back office and administrative functions; streamlining of senior management roles; efficiencies from increased

<sup>1</sup> The end result if the proposal is implemented is that a new local government area will be created. For simplicity throughout this document, we have referred to a new council rather than a new local government area.

<sup>2</sup> Operating results refer to the net financial position after subtracting total expenditure from total revenue in a given financial year.

purchasing power of materials and contracts; and reduced expenditure on councillor fees.<sup>3</sup>

The NSW Government has announced a funding package to support merging councils which would result in \$20 million being made available should the proposed merger proceed.

Hawkesbury City Council intends to request a cumulative Special Rate Variation (SRV) of 16 per cent over a five year period from 2017-18.

The proposed merger is also expected to result in simplified council regulations for residents and businesses in the Hawkesbury City and The Hills Shire areas given each council is currently responsible for separate and potentially inconsistent regulatory environments. Regulatory benefits include consistency in approaches to development approvals, health and safety, building maintenance, traffic management and waste management.

The proposed merger will provide significant opportunities to strengthen the role and strategic capacity of the new council to partner with the NSW and Australian governments on major infrastructure projects, addressing regional socio-economic challenges, delivery of services and focus on regional priorities.

This could assist in:

- reducing the existing \$92 million infrastructure backlog across the Hawkesbury City and The Hills Shire area;

improving liveability and boosting housing supply to meet population growth;

- delivering regional priorities of improving transport connections, addressing flood and emergency management issues, and effective management of the area's waterways; and
- supporting economic growth and urban development in a sustainable manner, while enhancing the standard of living and lifestyle that local residents value.

While a merged council will increase the current ratio of residents to elected councillors, the new ratio is likely to be comparable with levels currently experienced by other communities across Sydney.

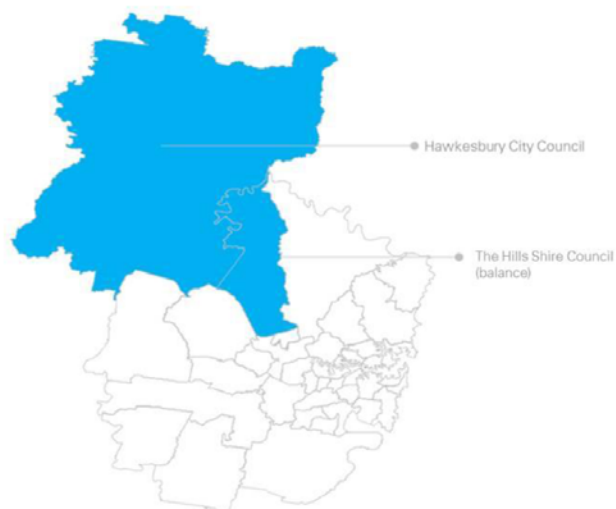
### Next Steps

This merger proposal will be referred for examination and report under the *Local Government Act (1993)*.

Local communities have an important role to play in helping ensure the new council meets their current and future needs for services and infrastructure and will have an opportunity to provide input on how the new council should be structured. Local communities will have an opportunity to attend the public inquiry that will be held for this merger proposal and an opportunity to provide written submissions. For more details please visit

[www.councilboundaryreview.nsw.gov.au](http://www.councilboundaryreview.nsw.gov.au)

Figure 2: The new local government area within Greater Sydney



<sup>3</sup> NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

## INTRODUCTION

This merger proposal has been informed by an extensive four-year consultation and review process.

The NSW Government has been working with local councils and communities since 2011 to strengthen council performance and ensure local government is well placed to meet future community needs.

A first key step in that process was the Independent Local Government Review Panel's (ILGRP) comprehensive review of local government and subsequent recommendations for wide-ranging structural reform and improvements to the system. In response, the NSW Government initiated the *Fit for the Future* reforms that required each local council to self-assess against key performance indicators and submit proposals demonstrating how they would meet future community needs.

The NSW Government appointed IPART in 2015 to assess each council's submission. IPART has now completed its assessment of 139 proposals (received from 144 councils) and concluded 60 per cent of councils are 'not fit' for the future. Many of these councils did not meet the elements of the 'scale and capacity' criterion (refer Box 1 below).

Hawkesbury City and The Hills Shire councils each submitted *Fit for the Future* proposals to remain as stand alone councils. In assessing each council's submission, IPART determined that while both councils satisfy the criteria for scale and capacity, Hawkesbury City Council was 'not fit' as it did not meet key financial benchmarks. IPART noted that a merger between Hawkesbury City and The Hills Shire councils could produce net financial benefits of \$74 million over 20 years for local communities, which could be a better alternative than each council's proposal to stand alone.

In the consultation period that followed the release of the IPART report, the Hills Shire Council nominated Hawkesbury City Council as a potential merger partner.

*Box 1 Overview of scale and capacity*

### Key elements of 'scale and capacity'

Scale and capacity is a minimum requirement as it is the best indicator of a council's ability to govern effectively and provide a strong voice for its community. At a practical level, this includes being able to:

- undertake regional planning and strategic delivery of projects;
- address challenges and opportunities, particularly infrastructure backlogs and improving financial sustainability;
- be an effective partner for the NSW and Australian Governments on delivering infrastructure projects and other cross-government initiatives; and
- function as a modern organisation with:
  - staffing capacity and expertise at a level that is currently not practical or economically possible for small councils;
  - innovative and creative approaches to service delivery; and
  - the resources to deliver better training and attract professionals into leadership and specialist roles.



## A NEW COUNCIL FOR THE HAWKESBURY CITY AND THE HILLS SHIRE

The proposed new council will be responsible for infrastructure and service delivery to around 224,000 residents across the Hawkesbury City and The Hills Shire area of Sydney.

The creation of a new council provides the opportunity to bring together the communities from across the local government areas of Hawkesbury City and The Hills Shire. A large portion of each council is in outlying metropolitan areas, although The Hills Shire Council incorporates a number of metropolitan centres, including Carlingford, Castle Hill and Baulkham Hills. The two councils also share similar priorities, such as a desire to create vibrant communities by supporting and developing local jobs and businesses, while also protecting their natural environment and heritage.

The new council will be responsible for infrastructure and service delivery to more than 318,000 residents by 2031. This reflects the expected population growth across the region of two per cent per annum.<sup>4</sup>

The Hawkesbury and The Hills areas share a need to manage expected population growth and the changing service and infrastructure needs of these communities. The NSW Government has identified a number of priorities that are directly relevant to the proposed new council. For example:

- delivering the Sydney Metro Northwest and planning for urban renewal in communities along the rail line;
- planning for continued delivery of housing and jobs in the North West Priority Land Release Area, focused on on-time infrastructure delivery, housing choice, affordability and sustainability;
- strengthening the strategic centres of Castle Hill, Norwest and Rouse Hill as a priority location for employment and removing barriers to investment;
- working with councils to protect the health of waterways and aquatic habitats, including the Hawkesbury-Nepean catchment;
- working with councils to address flood and emergency management issues when planning for growth in the Hawkesbury-Nepean Valley; and
- improving transport connections to provide better access between centres, particularly in the North West Priority Land Release Area, and improving transport connections to eastern Sydney to capitalise on the area's increasing role in manufacturing, construction and wholesale/logistics industries.




A new council with appropriate scale and capacity will be better able to partner with the NSW Government on the implementation of these regional priorities, particularly on the management of flood hazards in the Hawkesbury-Nepean Valley and on the delivery of housing and jobs in along the Sydney Metro Northwest line and in the North West Priority Land Release Area.

The establishment of a new council will also provide an opportunity to generate savings and efficiencies and reduce the current duplication of back-office functions, senior executive positions and potentially the many layers of current regulations. Any savings generated by a merger of these two councils could be redirected to improving local community infrastructure, lowering residential rates and/or enhancing service delivery. An overview of the current performance of the two existing councils and the projected performance of the new proposed entity is outlined in Figure 3.

In addition, a merged council offers the prospect of a stronger balance sheet to better meet the service and infrastructure needs of its local communities. This is especially important for Hawkesbury City Council, which did not satisfy IPART's financial sustainability criterion. A merged council will also provide enhanced scale and capacity to better plan and coordinate investment in critical infrastructure and services. This should put the new council in a better position to advocate to the NSW and Australian governments for the regional investments that will be needed for the future.

<sup>4</sup> NSW Department of Planning & Environment (2014), NSW Projections (Population, Household and Dwellings).

Figure 3: Council profiles

	Hawkesbury City Council	The Hills Shire Council (balance)	New Council
			
<b>Population</b> (2014)	65,527	158,842	224,369
<b>Area</b>	2,775 sq km	387 sq km	3,161 sq km
<b>IPART Rating</b>	NOT FIT	FIT	The new council will likely have enhanced scale and capacity to better meet the future service and infrastructure needs of the community.
<b>Operating Revenue</b> (2013-14)	\$77.2m	\$217.9m	\$232.4m (projected 2019-2020)
<b>Operating Result</b> (2013-14)	\$14.8m	\$107.8m	+\$7.2m projected improvement to 2019-20 operating results
<b>Asset Base</b>	\$637.4m	\$660.5m	\$1.4bn
<b>Infrastructure Backlog</b>	13 per cent	3 per cent	7 per cent

Source: Australian Bureau of Statistics, Department of Planning and Environment, Office of Local Government, Council Long Term Financial Plans, Fit for the Future submissions to IPART and IPART Assessment of Council Fit for the Future Proposals

Note: Totals may not sum due to rounding. Estimates of the new council's operating performance and financial position is based on an aggregation of each existing council's projected position as stated in respective Long Term Financial Plans (2013-14). In addition, it is assumed efficiency savings are generated from a merger, and this is reflected in the projected 2019-20 operating result for the new council. Further details are available in NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

## BENEFITS, OPPORTUNITIES AND IMPACTS

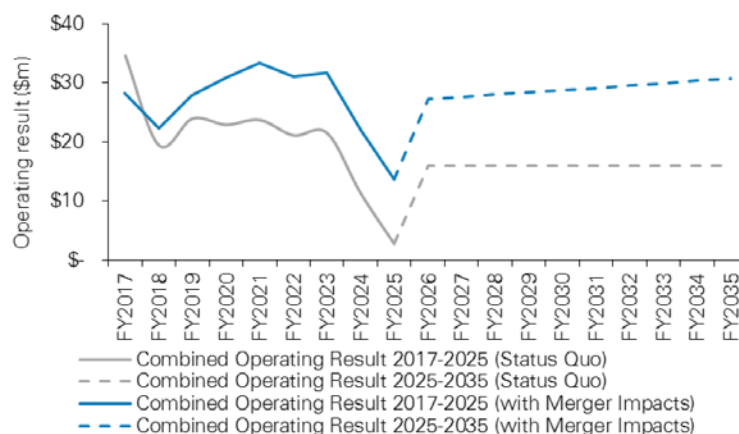
The proposed merger has the potential to provide a \$74 million benefit to communities over 20 years which could support investment in critical local infrastructure and services and/or be utilised to address rate pressures.

### Financial Benefits of the Proposed Merger

Analysis by KPMG in 2015 shows the proposed merger has the potential to generate net financial savings of \$54 million to the new council over 20 years. Council performance will also be improved with a projected \$9.9 million increase in annual operating results achieved within 10 years. The proposed merger is also expected to generate, on average, approximately \$4.6 million in savings every year from 2020 onwards.<sup>5</sup> Consequently, the merged council will have a balance sheet that is stronger and in a better position to meet local community needs and priorities.

Figure 4 illustrates how the proposed merger will lead to growing improvements in the operating performance of the new council compared to the current projected operating performance of each of the two councils.

Figure 4: Projected operating results of the Hawkesbury City and The Hills Shire councils, with and without a merger



Note: Due to data limitations, operating results post 2025 adopt the five year average for the projected operating result. This is for illustration purposes only and has no impact on the estimated savings generated by the proposed merger.

Source: Council Long Term Financial Projections (2013-14).

Gross savings over 20 years are modelled to be due to:

- removal of duplicate back office and administrative functions (\$42 million);
- streamlining of senior management roles (\$10 million);
- efficiencies generated through increased purchasing power of materials and contracts (\$10 million); and
- a reduction in the overall number of elected officials, reducing expenditure on councillor fees (estimated at \$2 million).<sup>6</sup>

In addition, the NSW Government has announced a funding package to support merging councils which would result in \$20 million being made available should the proposed merger proceed.

<sup>5</sup> NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

<sup>6</sup> NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

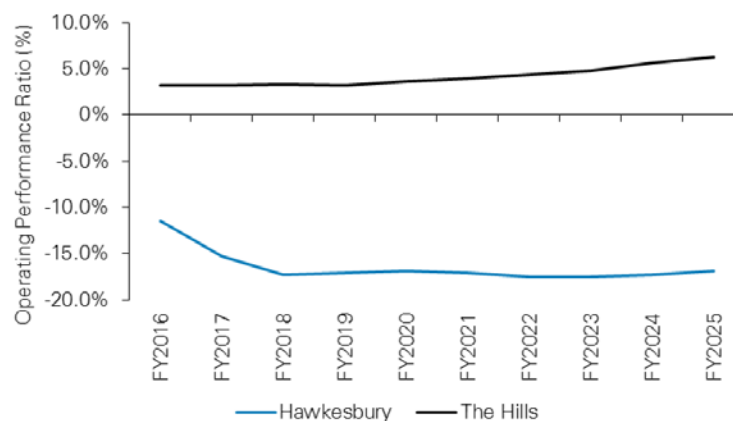
The implementation costs associated with the proposed merger (for example, information and communication technology, office relocation, workforce training, signage, and other transition costs) are expected to be surpassed by the accumulated net savings generated by the merger within a three-year payback period.

Merger benefits could be reinvested to:

- improve infrastructure – annual savings could be redirected towards infrastructure renewal or capital works, including the upgrade of the Baulkham Hills Town Centre. Redeployment of savings could lead to cumulative additional infrastructure expenditure of \$54 million by 2025;
- enhance service delivery – removal of duplicate back office and administration functions could provide the basis for employing an additional 70 staff for frontline services. This could include services such as community centres and libraries; and/or
- reduce rate pressures – annual savings could be used to reduce future reliance on SRVs to fund community infrastructure and/or avoid future rate increases.

The expected operating performance ratio of each council over the next 10 years is illustrated in Figure 5.<sup>7</sup>

Figure 5: Projected operating performance ratio by council (2016-2025)



Note: Operating performance ratio measures a council's ability to contain operating expenditure within operating income.

Source: Council Long Term Financial Plans (2013-14)

This merger proposal will provide the new council with the opportunity to strengthen its balance sheet and provide a more consistent level of financial performance. Overall, the proposed merger is expected to enhance the financial sustainability of the new council through:

- net financial savings of \$54 million to the new council over 20 years;
- a forecast \$9.9 million increase in the operating result of the merged entity in 2025;
- achieving efficiencies across council operations through, for example, the removal of duplicated back office roles and functions, and streamlining senior management;
- establishing a larger entity with a broad, regional-based operating revenue that is expected to exceed \$249 million per year by 2025;
- an asset base of approximately \$1.4 billion to be managed by the merged council; and

<sup>7</sup> This ratio measures a Council's achievement of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focussing on operating performance and hence capital grants and contributions, fair value adjustments and reversal of revaluation decrements are excluded.



- greater capacity to effectively manage and reduce the \$92 million infrastructure backlog across the area by maintaining and upgrading community assets.

The Local Government Act contains protections for three years for all council employees below senior staff level.

### Opportunities for Improved Services and Infrastructure

The efficiencies and savings generated by the merger will allow the new council to invest in improved service levels and/or a greater range of services and address the current \$92 million infrastructure backlog across the two councils. Examples of local infrastructure and service priorities that could be supported by merger-generated savings include projects like:

- revitalising and enhancing town centres, for example by supporting the multi-phase Baulkham Hills Town Centre upgrade. The first phase of the upgrade currently under construction includes a streetscape upgrade of the Baulkham Hills Town Centre to provide greater accessibility and amenity;
- upgrading the road network across the Hawkesbury and the Hills area;
- upgrading existing, and providing new, sporting fields and leisure facilities to meet growing demand and promote the area as a tourism destination;
- upgrading existing community centres and libraries across the area; and
- actively supporting the retention of the Royal Australian Airforce Base (RAAF) at Richmond and encouraging the promotion of economic growth and employment through the development of local aviation-related industries.

### Regulatory Benefits

There are currently 152 separate regulatory and compliance regimes applied across local council boundaries in NSW. These many layers of regulations are making it hard for people to do business, build homes and access services they need. NSW businesses rated local councils as second to only the Australian Tax Office as the most frequently used regulatory body, and highest for complexity in dealings.<sup>8</sup>

It can be expected that the proposed merger will result in simplified council regulations for many Hawkesbury City and The Hills Shire residents and businesses. Hawkesbury City Council and The Hills Shire Council are each responsible for separate and potentially inconsistent regulatory environments. A merged council provides an opportunity to reduce and harmonise regulations.

Adopting best practice regulatory activities will generate efficiencies for a merged council and benefit local residents and businesses. For example:

- a tradesperson who operates small businesses across the Hawkesbury City and The Hills Shire area will have a single local council regulatory framework to understand and comply with;
- the compliance burden will be reduced and simplified for a café owner with multiple outlets across neighbouring suburbs (currently in different council areas); and
- residents can have greater confidence that development applications will be subject to a more uniform process than the existing variations in regulations that can add to the cost and complexity of home renovations and building approvals.

### Impact on Rates

IPART noted that Hawkesbury City Council's operating performance ratio forecast relies on the successful application for and adoption of a cumulative SRV of 16.0 per cent over a five year period from 2017-18. The savings generated by a merger may enable the new council to reduce its reliance on rate increases to fund community infrastructure and improve financial performance.

In addition, the proposed merger will bring together a range of residential, farmland and business premises across the area, providing the new council with a larger rate base on which to set ratings policies and

<sup>8</sup> NSW Business Chamber (2012), Red Tape Survey.

improve the sustainability of council revenue. Table 1 outlines the mix of business, residential and farmland rating assessments that underpin current rate revenue across the area.

*Table 1: Comparison of rateable businesses, residential properties and farmland (total and percentage share)*

Council	Business rating assessments		Residential rating assessments		Farmland rating assessments	
Hawkesbury City Council	1,515	6%	22,877	91%	622	2%
The Hills Shire Council	3,782	6%	54,188	93%	404	1%

*Source: NSW Office of Local Government, Council Annual Data Returns (2013-14).*

### Local Representation

The ratio of residents to elected councillors in each of the two councils is markedly different. This reflects that both councils have the same number of councillors, but they represent populations of very different sizes. While the proposed merger will increase the ratio of residents to elected councillors, the ratio, based on councillor numbers in the existing councils, is likely to be similar to those currently experienced in other Sydney councils, including the more populous Blacktown City Council (Table 2). For the purpose of analysis of merger benefits, this proposal has assumed that the new Council will have the same number of councillors as the councils covered by this proposal. The Government welcomes feedback through the consultation process on the appropriate number of councillors for the new council.

Some councils in NSW have wards where each ward electorate elects an equal number of councillors to make up the whole council. Community views on the desirability of wards for a new council will be sought through the consultation process.

*Table 2: Changes to local representation in Hawkesbury City and The Hills Shire*

Council	Number of councillors	Number of residents (2014)	Residents per councillor
Hawkesbury City Council	12	65,527	5,461
The Hills Shire Council	12	187,703	15,642
Merged council	12 <sup>*</sup>	224,369	18,697
Blacktown City Council	15	325,139	21,676

*\* Hawkesbury City and The Hills Shire communities will have an opportunity to shape how a new merged council will be structured, including the appropriate number of elected councillors. Fifteen elected councillors is the maximum number currently permitted under the NSW Local Government Act (1993).*

*Source: Australian Bureau of Statistics, Estimated Resident Population 2014; and NSW Office of Local Government, Council Annual Data Returns (2013-14).*

The new council will be in a position to use its larger scale and capacity to more effectively represent local Hawkesbury City and The Hills Shire communities. As the new council will represent a significant share of Sydney's population, and have a substantial economic base, it will be able to advocate more effectively on behalf of its residents. It will also be able to develop improved strategic capacity to partner with the NSW and Australian Governments, including on major infrastructure initiatives, community services and urban planning and development.

The many ways communities currently engage with these councils will continue, including through public forums, committees, surveys and strategic planning. Councillors will continue to represent local community interests and will have the opportunity to take a more regional approach to economic development and strategic planning.

## THE LOCAL COMMUNITY

The communities across the Hawkesbury City and The Hills Shire area share common characteristics and connections. The proposed new council will have enhanced scale and capacity and be better placed to shape and deliver the economic development, community services, and infrastructure that underpin the lifestyle of these communities.

### Geography and Environment

The area is to the north west of the Greater Sydney metropolitan region, about 30-50 kilometres from the Sydney Central Business District (CBD). There are a number of natural features and river systems that are used to define the new local government area. Both the Colo and Grose rivers will form part of the western boundary of the new council. For those areas closer to the CBD, major roads will typically define the council boundaries – such as the Old Northern Road and Castle Hill Road which will form the eastern boundary and Old Windsor Road to the south west. The area south of the M2 in the The Hills Shire Council is proposed to be merged with Parramatta City Council.

The area includes a number of national parks and conservation areas including the Blue Mountains National Park, Parr Conservation Park, Yengo National Park and Wollemi National Park. The natural environment is an important draw for residents and visitors, but also poses some conservation and maintenance challenges. The area is subject to high bushfire risk, and its urban areas are prone to flood events.

Overall, the area is increasingly residential, and is continuing to experience rapid urban development. There is extensive planning underway for the North West Growth Centre (around the Rouse Hill) to cater for the expected population growth in the area. Into the future, some of the more established communities in the area will be renewed in parallel with the delivery of new transport infrastructure, particularly the Sydney Metro Northwest project.

A significant part of the area is parkland or used for farming and other semi-rural industries. The proposed merger will create a stronger council which will be better placed to manage the interface between urban and rural communities, to manage the threat of natural hazards and to deliver the local infrastructure and services needed for growing communities.

### Local Economy

The local government areas of Hawkesbury City and The Hills Shire contribute \$12.3 billion to the NSW economy, equivalent to two per cent of the Gross State Product.<sup>9</sup> Characteristics of the local economy include:

- an average household income of \$113,103 in The Hills Shire local government area, which is significantly above the metropolitan average of \$89,210 and the Hawkesbury City Council average of \$83,891;
- low rates of unemployment in The Hills Shire (3.7 per cent), compared to the metropolitan average of 5.4 per cent. In contrast, unemployment in Hawkesbury City Council is 6.8 per cent;
- employment growth below the metropolitan average of 1.6 per cent in both The Hills Shire (1.0 per cent) and Hawkesbury City (zero employment growth is forecast);
- The Hills Shire's educational attainment rate (the proportion of residents holding a post-school qualification) is 63 per cent. This is above the metropolitan average of 59 per cent, while Hawkesbury City Council sits at 55 per cent; and
- differing industry compositions, with The Hills Shire's two largest sectors being retail trade and health care and social assistance, while the two largest sectors in Hawkesbury City are construction and manufacturing.

<sup>9</sup> Regional Development Australia (2015), Sydney Metropolitan Region Economic Baseline Assessment – Update, August; and Australian Bureau of Statistics (2014), Australian National Accounts: State Accounts 2013-14, Canberra.

The proposed council has three strategic centres at Castle Hill, Norwest and Rouse Hill which are important locations for business activity and employment. Retail trade is the largest industry across the whole area and construction is the second largest industry. A merged council will be better placed to deliver services and infrastructure for these industry sectors in a coordinated manner and to support growth and investment in the strategic centres of Castle Hill, Norwest and Rouse Hill. The NSW Government's Household Travel Survey highlighted that the average length of a work trip taken by residents of The Hills Shire is 40 minutes, indicating that the majority of residents work outside the local government area.<sup>10</sup> On the other hand, Hawkesbury City has a local economy in which 63 per cent of residents work in the area in which they reside.

The area however, is relatively self-contained and well-connected in relation to:

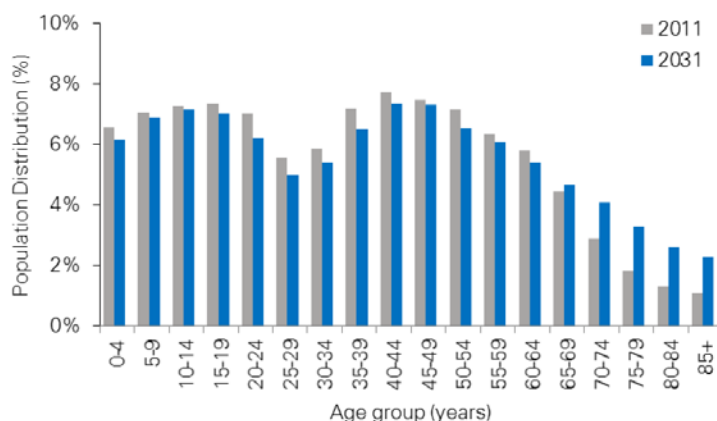
- shopping: including Stockland in Baulkham Hills, Castle Towers Shopping Centre and Winston Hills Mall;
- health centres and hospitals: including The Hills Private Hospital and Hawkesbury District Health Service; and
- sporting facilities: including, Bernie Mullane Sports Complex and Hawkesbury Oasis swimming pool.

The business profile across the area, and the corresponding workforce, will require relatively similar services and infrastructure. A merged council will be better placed to deliver these services and infrastructure in a coordinated manner.

### Population and Housing

The new council will be responsible for infrastructure and service delivery to more than 361,000 residents by 2031. Like most areas across NSW, the Hawkesbury City and The Hills Shire area will experience the impacts of an ageing population over the next 20 years (Figure 6).

Figure 6: Change in population distribution, by age cohort (2011 v 2031)



Source: NSW Department of Planning & Environment, 2014 NSW Projections (Population, Household and Dwellings).

A strong council with the appropriate scale and capacity is needed to respond and adapt to the changing service needs of the community. An ageing population is likely to increase demand for community health services, the creation and maintenance of accessible parks and leisure areas, and community outreach services.

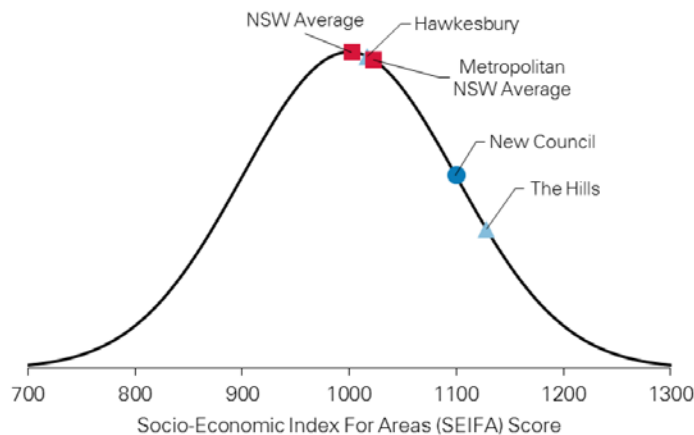
From a socio-economic standpoint and in comparison with the rest of Sydney, The Hills Shire communities are relatively advantaged. Hawkesbury City communities are comparable with the NSW metropolitan average in regards to socio-economic advantage. The Socio-Economic Index for Areas (SEIFA), illustrated in

<sup>10</sup> Transport for NSW (2014), Bureau of Transport Statistics, Household Travel Survey Data 2012-13.



Figure 7 measures a range of factors to rate an individual council's relative socio-economic advantage, including, for example, household income, education, employment and occupation.

Figure 7: Comparison of councils' socio-economic profile



Source: Australian Bureau of Statistics, SEIFA 2011 by Local Government Area

Table 4 outlines the current mix of housing types across the area. A merged council provides an opportunity to apply a more regional and strategic focus to planning for the additional 34,700 households and associated amenities that are predicted to be required by 2031. This approach can also help ensure any pressures and challenges associated with population growth and housing development are not unreasonably concentrated in particular neighbourhoods.

Table 3: Dwelling types in the Hawkesbury City and The Hills Shire area (total number and per cent)

Dwelling type	Hawkesbury City Council		The Hills Shire Council	
Separate house	19,953	85%	47,726	83%
Medium density	2,929	13%	7,150	13%
High density	135	1%	2,138	4%
Other	340	1%	150	<1%
<b>Total private dwellings</b>	<b>23,357</b>		<b>57,164</b>	

Source: Australian Bureau of Statistics, Census (2011), Dwelling Structure by local government area.

The current mix of housing types across the Hills and Hawkesbury area is predominantly separate houses, with a smaller proportion coming medium density dwellings, and smaller again from high density dwellings. A merged council provides an opportunity to apply a more regional and strategic focus to planning for additional households and associated amenities that are predicted to be required across the current council areas by 2031. This approach can also help to ensure any pressures and challenges associated with population growth and housing development are not unreasonably concentrated in particular neighbourhoods.

### Shared Community Values and Interests

These communities are bound by their sense of place as an outer suburban area with close proximity to rural areas and national parks. Box 2 provides examples of community organisations, services and facilities that have a presence across the area, which indicate the strong connections between communities in existing council areas.

*Box 2: Examples of common community services and facilities*

**Shared regional services and initiatives**

Examples of community services which operate across the area include:

- the Hawkesbury River County Council, which is responsible for administering *the Noxious Weeds Act (1993)* across Blacktown, Hawkesbury, Penrith and The Hills councils. The council focuses on early detection of new incursions and containment of high risk weed species that impact on biodiversity, agriculture and property;
- TAFE Western Sydney, which offers vocational education and training courses across the Western Sydney region and operates campuses at Richmond and Baulkham Hills ;
- Hills to Hawkesbury Living Magazine, which is a fortnightly publication covering local and community news across the areas;
- Hills, Hawkesbury & Riverlands Tourism (HHART), which is a partnership organisation that covers the area. HHART invites membership from people in the tourism industry to boost tourism, organises regional conferences and produces events guides; and
- the Western Sydney Residential Asbestos Scheme, which is a partnership between Western Sydney councils and the NSW Environment Protection Agency to have asbestos materials removed from residents' properties free of charge.

The councils have collaborated on a range of initiatives. Hawkesbury City Council belongs to The Western Sydney Regional Organisation of Councils (WSROC) which represents 10 local councils in Western Sydney. The Hills Shire Council is not a member council, but is involved in some of the projects that WSROC undertakes. For example:

- Hawkesbury City and The Hills Shire councils are part of a planned, collaborative regional approach to waste management that is cost effective, supports local communities and economies, and improves resource recovery in line with State Government targets;
- both councils are key partners in Hawkesbury Harvest, a not-for-profit community incorporated association, which provides alternative distribution channels for farmers; and
- both councils participate in Western Sydney – Light Years Ahead, a project to replace high emission street lights with low emission lights throughout Western Sydney.

The connections between the councils and communities are evident in these existing partnerships and collaborations. A new council will be better placed to deliver these services and projects into the future, without relying on voluntary collaboration.

## CONCLUSION

This proposal to create a merged council has the potential to provide a range of benefits to local communities, including:

- a \$74 million net financial benefit over a 20 year period that may be used to deliver better community services, enhanced infrastructure and/or lower rates;
- NSW Government funding of \$20 million to meet merger costs and provide a head start on investing in services and infrastructure that the savings from mergers will ultimately support;
- greater efficiencies through the removal of duplicate back office and administrative functions, increased purchasing power of materials and contracts, and reduced expenditure on councillor fees all of which are expected, on average, to generate savings of around \$5 million every year from 2020 onward;
- greater capacity to effectively manage and reduce the \$92 million infrastructure backlog across the two councils by maintaining and upgrading community assets, particularly in the Hawkesbury City Council area;
- creating a council that can be financially sustainable, with a stronger operating performance to maintain ongoing operations;
- reducing the reliance on rate increases through SRVs to fund local community infrastructure projects and services;
- better integrating strategic planning and economic development to more efficiently respond to the changing needs of the community;
- creating a council that represents a more diverse business profile and workforce;
- providing effective representation through a council with enhanced scale and capacity to meet the future needs of the community; and
- being a more effective advocate for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments.

## NEXT STEPS

Every community will have an opportunity to help shape a new council for their area.

### Community Engagement

This merger proposal will be referred to the Chief Executive of the Office of Local Government for examination and report under the *Local Government Act (1993)*. The Chief Executive proposes to delegate this function to a suitably qualified person. The delegate will consider this proposal as required under the Act, including against statutory criteria and hold a public inquiry. The delegate will also undertake public consultation to seek community views. The delegate is also required by the Act to provide the delegate's report to an independent Boundaries Commission for review and comment. The Minister for Local Government under the legislation may decide whether or not to recommend to the Governor that the merger proposal be implemented. For the factors a delegate must consider when examining a merger proposal (under section 263 of the *Local Government Act (1993)*), please refer to the Appendix to this document.

Through the merger assessment process, there will be opportunities for communities and stakeholders to consider merger proposals and have their say. Each merger proposal will be the subject of a public inquiry where the community can hear about and discuss the proposal. Through the consultation process, the delegate will ensure that the opinions of each of the diverse communities of the resulting area or areas will be effectively represented.

Further information about the process is available on the Local Government Reform website at [www.councilboundaryreview.nsw.gov.au](http://www.councilboundaryreview.nsw.gov.au), including:

- details about the proposed mergers;
- information about the delegate for your area;
- dates for public meetings; and
- a portal to provide a written submission.



## Appendix

The following table outlines the factors that a delegate must consider under section 263 of the *Local Government Act (1993)* when examining a proposal. The section references outline where the criteria have been addressed in this merger proposal.

<i>Legislative criteria</i>	<i>Section reference</i>
(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	Benefits, Opportunities and Impacts
(b) the community of interest and geographic cohesion in the existing areas and in any proposed new area	The Local Community
(c) the existing historical and traditional values in the existing areas and the impact of change on them	The Local Community
(d) the attitude of the residents and ratepayers of the areas concerned	There is a public consultation process which includes a public inquiry allowing for the views of residents and ratepayers to be considered.
(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	Local Representation
(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	Benefits, Opportunities and Impacts
(e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned	Financial Benefits of the Proposed Merger
(e3) the impact of any relevant proposal on rural communities in the areas concerned	The Local Community
(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	Local Representation
(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	Next Steps
(f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas	Benefits, Opportunities and Impacts

## EXTRAORDINARY MEETING

Meeting Date: 28 January 2016

For more information visit:  
[www.councilboundaryreview.nsw.gov.au](http://www.councilboundaryreview.nsw.gov.au)

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**AT - 2 Overview of the key matters in response to  
the merger proposal between  
Hawkesbury City Council and The Hills Shire Council (part)**

**Preamble**

Hawkesbury City Council (Council) welcomes the opportunity to respond to the merger proposal document prepared by the NSW Government. Council has consistently expressed its opposition to the proposed merger with The Hills Shire Council. It has arrived at this position after a careful evaluation of the expected benefits and impacts of the proposed merger and after taking into consideration the expressed views of the residents of the Hawkesbury.

The merger proposal implies that the merger has been the subject of extensive consultation. While this may have been the case for other proposals, the specific proposal for a full merger of Hawkesbury and The Hills was first communicated to Council in November 2015 and confirmed in December 2015. Prior to these dates, the documentation issued in conjunction with the NSW Government's Fit for the Future (FFTF) reform process identified Council as 'stand-alone' due to its particular characteristics and location as a peri-urban council on the metropolitan fringe of Sydney. A merger between the Hawkesbury and Hills was only identified as '*a possible long-term option*'.

The full merger option, which also includes significant changes to The Hills Shire Council boundaries and its financial and operations performance, has not been previously notified, or consulted on or discussed the Independent Local Government Review Panel or the Independent Pricing and Regulatory Tribunal. To suggest that it involves four years of consultation is not accurate. It has been brought forward without prior communication or consultation with residents of the Hawkesbury or The Hills. The public inquiry represents the first opportunity afforded to residents to express their views to the NSW Government on the proposed merger. Council would encourage residents to make submissions to the appointed delegate either for or against the merger proposal, and wherever possible, support their submission with facts and evidence.

For Council, the proposed merger of the Hawkesbury and The Hills makes little sense from a financial, community, planning or geographic perspective. Council will be preparing a detailed submission in response to the merger proposal which will expand on matters touched on below.

**Financial Benefits and Impacts**

The merger proposal projects that the merger will deliver a net financial benefit of \$74M over 20 years made up of \$64M in cumulative savings, and a one-off \$10M package to invest in new infrastructure.

On the surface this headline figure seems impressive. However, IPART's assessment (based on the Ernst & Young [EY] analysis of proposed mergers) calculated that the merger of Hawkesbury and The Hills would deliver the smallest financial benefit of any of the proposed metropolitan mergers. The EY analysis also highlighted that the Australian and international evidence on council amalgamations showed that the projected cost savings from council amalgamation have seldom been realised.

Ignoring the uncertainty as to whether the financial benefits outlined in the merger proposal will be achieved, the projected savings of \$64M should be treated as a global figure. Applying the assumptions underpinning the calculation of these benefits, indicates that Hawkesbury Council's 'share' of the \$64M amounts to approximately \$19.8M over 20 years – an annualised net saving of \$992,121. These projected annual net savings will not be sufficient to fund the current gap between what Council requires to fully fund the maintenance and renewal of its assets and what it currently spends on these assets – the underlying reason for Council being assessed as unfit by IPART. The merger proposal will not by itself address Council's projected operating deficits and will therefore not extinguish the requirement for future revenue increases and/or service level reductions.

## EXTRAORDINARY MEETING

Meeting Date: 28 January 2016

The way that the merger proposal tackles this contradiction is to assume that the projected operating surpluses of The Hills Shire Council can be redirected to cover the projected operating deficits of Hawkesbury Council. This is based on the assumption that the operating surpluses of The Hills Shire Council, which are being primarily generated by property sales and developer contributions, can be redirected away from delivering the capital works required by its growing population to fund the depreciation costs of Hawkesbury Council's assets (the primary driver of Council's projected operating deficits). The implied 'improvement' in the operating performance of the merged council, as outlined in the merger proposal, does not appear credible.

Of greater concern are the flow-on financial impacts to the community of the staffing and service rationalisations which underpin the merger proposal. Financial modelling based on different scenarios ranging from a minimum reduction in staffing levels to the possible downgrade or closure of Council's administration building and depot, indicates the financial impact of the merger carries the potential to generate an economic loss to the local economy ranging from \$1.83M to \$18.7M a year. Given that Hawkesbury Council is the 'lesser' partner within the merger proposal, these losses are likely to be towards the higher end of this range.

In the same way, Council's 'share' of the \$10M package for new infrastructure, based on its relative population, would amount to a one-off injection of \$2.9M which represents a 20% increase in Council's current annual capital expenditure for one year only and is unlikely to fund the construction of the kinds of community facilities suggested in the merger proposal.

While the merger proposal suggests that the financial benefits of the merger will be available to be reinvested in capital works, or to fund the employment of additional front line staff, or reduce rate pressures, these projected outcomes are unlikely to be achieved. More critically, the projected financial benefits of the merger are insufficient to fund the revenue shortfall which has contributed to Council being assessed as unfit and which has been used to justify the proposed merger.

It is Council's assessment that the financial benefits flowing from the merger proposal are modest at best and are far outweighed by the negative economic impact of the merger on the local community.

### **Communities of Interest and Geographic Cohesion**

The merger proposal suggests that the communities of Hawkesbury and The Hills Shire share many common characteristics and connections and that the merged council would be better placed to manage the interface between urban and rural communities and manage the threat of natural hazards.

It is Council's assessment that the merger proposal provides little evidence to justify this conclusion.

The proposal assumes that the future of the Hawkesbury will be best served within a larger, mainly metropolitan Council whose primary focus will be on meeting the demands of urban intensification and renewal associated with the North West Growth Sector and Sydney Metro Northwest. There is a risk that this focus on the eastern precincts of the merged council area may draw attention away from the need to effectively plan for the mitigation and response to the impact of riverine flooding and remote area bushfires given that these urban precincts are largely unaffected by these natural hazards.

The merger proposal is largely silent about areas that lie west of the North West Growth Sector, and particularly west of the Hawkesbury River. It therefore misjudges the impact of the proposed merger on the communities that make up the unique blend of rural landscapes, villages and townships within the Hawkesbury. It is not surprising that when the community have been asked about the proposed merger, it has consistently been the case that close to 80% of residents have indicated that they oppose a merger.

In its detailed submission, Council will provide data to demonstrate that currently the Hawkesbury's primary connections and communities of interest; its employment and transport flows, its tourism gateways and even its geography are oriented to the south and west rather than east towards The Hills Shire and the City of Sydney as presented in the merger proposal. Even the NSW Government has recognised the strength of these connections by aligning the Hawkesbury, Penrith and Blue Mountains Councils within a sub-region grouping within its own metropolitan strategy – *A Plan for Growing Sydney*.

## EXTRAORDINARY MEETING

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Council has also developed an innovative and successful models to directly support community participation in the management of its services, facilities and functions. The Hawkesbury Sports Council manages Council's playing fields and sporting fields while Peppercorn Services Inc. manages Council's suite of externally funded human services. Council also has an active cultural services volunteer program to support the operations of its Regional Gallery, Regional Museum and Library Service. This model is unique to the Hawkesbury. It builds on the high levels of volunteerism and social capital that exist within the Hawkesbury and supports active participation of the residents in community and civic life.

### Services and Infrastructure

The merger proposal suggests that as areas of 'rapid urban development', the communities of the Hawkesbury and The Hills Shire will require relatively similar services and infrastructure and that the merged council will be better placed to deliver these requirements in a co-ordinated way.

However the merger proposal seems to adopt (from a Hawkesbury perspective) an eastern-centric view of these requirements by focusing on the need to support growth and investment in the centres of Castle Hill, Norwest and Rouse Hill and the upgrade of the Baulkham Hills Town Centre. No mention is made within the merger proposal of the service and infrastructure needs of the town centres and areas within the Hawkesbury. Equally, the merger proposal limits its assessment of required transport infrastructure to the need to support the development of Sydney Metro North West and to improve transport connections between the centres within the North West Priority Land Release Area and then on to the City of Sydney

Given this orientation, Hawkesbury residents may well be concerned that future priorities for service provision and infrastructure will gravitate eastwards and that this may spill over into the rationalisation and centralisation of the existing services provided by Council. As a consequence resident access to Council services and facilities may be reduced.

The Hawkesbury is unique among metropolitan councils in that it has a strong, relatively self-contained local economy where the majority of the people who work in the area also reside in the area. A recent economic study has highlighted the growth of home based, technology savvy businesses who have been attracted to the Hawkesbury by its rural character and village atmosphere. The merger proposal ignores this trend and disappointingly seems to base its case on old thinking which envisages the future of the Hawkesbury as a satellite of the North West Growth Sector. A stand-alone Hawkesbury offers a genuine opportunity to develop a sustainable living environment and economy.

### Local Representation

The merger proposal assumes that the number of elected councillors representing the Hawkesbury and The Hills will probably be reduced from the current number of 24 to 12. Clearly this will have an impact on the level of local representation for the former residents of the Hawkesbury and the ability of residents to contact and consult their elected representatives. Based on proportional population, the former residents of the Hawkesbury would be nominally represented by three councillors.

### Conclusion

Council's assessment is that while there are some financial benefits which may flow from the merger proposal, these benefits will be outweighed by the adverse impacts to the local economy and the community. The relatively modest merger savings projected by the merger proposal can be achieved more effectively and efficiently through the implementation of Council existing FFTF proposal and in particular through its Regional Strategic Alliance with the Blue Mountains and Penrith Councils.

Council would argue that the merger proposal is an inferior alternative to Council remaining as is and pursuing its FFTF proposal which will deliver a more advantageous outcome for residents *without* the adverse impacts of a forced amalgamation.

oooO END OF REPORT Oooo

## EXTRAORDINARY MEETING

Meeting Date: 28 January 2016

**Item: 2**                      **GM - Public Information Campaign - Merger Proposal - Hawkesbury City Council and Part of The Hills Shire Council - (79351)**

**Previous Item:**        226, Extraordinary (15 December 2015)  
                             MM, Ordinary (8 December 2015)  
                             MM, Ordinary (24 November 2015)  
                             MM, Ordinary (27 October 2015)  
                             116, Ordinary (28 July 2015)

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### REPORT:

#### Executive Summary

On 18 December 2015 the State Government announced a proposal to merge Hawkesbury City Council with part of The Hills Shire Council (merger proposal). This followed a resolution of The Hills Shire Council (The Hills) on 10 November 2015 indicating its willingness to merge with Hawkesbury City Council.

Following The Hills' resolution Council embarked on a 'No Merger' campaign and opened a merger survey on its Community Engagement Site, *Your Hawkesbury—Your Say*.

Subsequent to the merger proposal announcement on 18 December 2015, the Office of Local Government issued 'Guidelines on council decision making during merger proposal periods, December 2015'. In accordance with the Guidelines, the 'No Merger' campaign was ceased although Council's community engagement page, which contains history of this matter, remains current and is regularly updated.

This report details action taken to date with regard to communicating Council's resolved anti-merger stance and outlines options for further communication in accordance with the Guidelines issued by the Office of Local Government.

#### Consultation

This report details a merger related public information communication campaign that will assist in ensuring that all stakeholders are aware of the consultation methods being implemented by the State Government in relation to the proposed merger of Hawkesbury City Council and part of The Hills Shire Council.

#### Background

On 18 December 2015, the State Government announced a proposal to merge Hawkesbury City Council with part of The Hills Shire Council. This followed a resolution of The Hills Shire Council (The Hills) on 10 November 2015 to (in part):

*"write to the Minister for Local Government and the Local Members of Parliament to advise that The Hills Shire is prepared to bring forward the Independent Local Government Review Panel's recommendation to merge with Hawkesbury City Council on the condition that it is a merger of both Councils fully and incorporating all existing boundaries."*

Hawkesbury City Council was previously listed as a 'No Change' Council by The Independent Local Government Review Panel and this was confirmed by the Independent Pricing and Regulatory Tribunal review indicating that Council had scale and capacity to continue as a stand-alone Council.

Following The Hills' resolution, Council embarked on a 'No Merger' campaign and opened a merger survey on its Community Engagement Site, *Your Hawkesbury—Your Say*.

## EXTRAORDINARY MEETING

Meeting Date: 28 January 2016

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In relation to communication, the Guidelines indicate:

### **"MERGER-RELATED INFORMATION CAMPAIGNS**

*Any public information campaigns conducted by councils with respect to merger proposals:*

- *should be conducted for the purposes of informing the local community about the merger proposal and should be proportionate to this purpose*
- *should not involve disproportionate or excessive expenditure or use of council resources*
- *should be conducted in an objective, accurate and honest manner and should not be deliberately misleading*
- *should not be used to endorse, support or promote councillors, individually or collectively, political parties, community groups or candidates or prospective candidates at any election, Local, State or Federal.*

*Merger-related information campaigns should be approved by councils at an open council meeting. Councils should also publicly approve a budget for the campaign at an open council meeting before incurring any expenditure on the campaign.*

*Any variations to the budget should also be publicly approved by the council at an open meeting.*

*Councils should account fully and publicly for the costs of merger-related information campaigns, including staff and contractor costs. This information should be accessible to the community on councils' websites."*

Further, The Guidelines outline the enforcement of these Guidelines as follows:

### **"ENFORCEMENT OF THESE GUIDELINES**

*These Guidelines are issued under section 23A of Act. Councils are required to consider the Guidelines in exercising their functions. The Office of Local Government will be monitoring compliance with these Guidelines.*

*Failure to comply with the Guidelines may result in the Minister for Local Government issuing a performance improvement order under section 438A of the Act against a council to compel them to comply with the Guidelines or to correct any noncompliance.*

*The Chief Executive of the Office of Local Government may also surcharge a council official under section 435 the amount of any deficiency or loss incurred by the council as a consequence of the negligence or misconduct of the council official."*

Following a meeting on Friday, 15 January 2016 with Council's Delegate appointed by the Office of Local Government to conduct a public inquiry regarding the merger proposal, an informal meeting of Councillors discussed elements of a proposed communication campaign. This report provides additional information on these suggestions and estimated costing associated with the proposals.

## **EXTRAORDINARY MEETING**

**Meeting Date:** 28 January 2016

The Delegate advised that it would be appropriate for Council to widely disseminate information about the Public Inquiry meetings to be held in relation to this merger proposal and the submission process.

A media release regarding the matter was issued on 15 January 2016 and this information was included in Mayoral columns issued to the Hawkesbury Courier and monthly publications and in the Mayor's web based column 'From the Mayor's Desk'.

The information was also placed prominently on Council's website and also on its community engagement site 'Your Hawkesbury—Your Say' under the project 'Getting Council Fit for the Future'. The State Government's announcement was promoted in Council's quarterly newsletter with links to the Boundary Review website and Council's community engagement page. This newsletter was posted to all ratepayers on 20 January 2016.

### **Communication campaign**

The primary aim of the merger related public information communication campaign is to inform relevant stakeholders including ratepayers, business groups and community organisations of the merger proposal and that written submissions can be made in relation to the proposal up until 5pm Sunday, 28 February 2016. Due to the fact that applications to speak and attend public inquiry meetings close on 29 January 2016, a number of the communication methods outlined in this report will not be effective in communicating the availability of this consultation method.

### **Direct Contact**

In regard to further actions it was suggested that Councillors could assist by directly contacting community groups to convey information about the merger proposal, public inquiry meeting dates and the process for addressing and attending the inquiry together with how to make a written submission. It is proposed to establish an online data base where Councillors can indicate which groups they have contacted to avoid duplication. This action would be at no cost to Council.

### **Mail-out**

It was also suggested that a mail-out be conducted.

To produce either an A4 folded brochure or postcard individually addressed to all current ratepayers would cost in the vicinity of \$24,500, which includes staff time to prepare the document printing and postage. The bulk of this cost would be in postage being \$18,285. The earliest posting date would be Monday, 8 February 2016 with a mail delivery lead time of six days for the whole local government area. This effectively means that interested parties would have approximately two weeks in which to assess the information and complete a written submission by the closing date of Sunday, 28 February 2016.

### **Telephone Survey**

It was also suggested that Council could consider a telephone survey to support its submission. Based on the previous experience of conducting a community survey, a survey of this nature would cost in the vicinity of \$12,500. The content would have to be in accordance with the Guidelines issued by the OLG. Given that the results would be required to be provided to Council by 11 February 2016 to be included in the submission to be considered by Council at an Extraordinary meeting proposed to be held 16 February 2016, this communication method would appear impractical. Council has an established merger survey that has been running since 12 November 2015. It is felt that the results of this survey would provide significant evidence as to the community's view on the subject without resorting to the cost of a further telephone survey.



## **EXTRAORDINARY MEETING**

**Meeting Date:** 28 January 2016

### **Shopping Centre Displays**

Councillors have also suggested the provision of staffed displays in local shopping centres. It would be proposed to conduct displays at centres managed by Council at McGraths Hill, Glossodia and Wilberforce as well as commercial centres in Windsor, Richmond and North Richmond. Pull up banners and supporting printed material would be required. It is noted that Councillors offered to staff these stalls. The cost of this activity including fees for commercial shopping centres, the production of pull up banners and printed material would be in the vicinity of \$2,500.

### **Advertising**

It is proposed to run four full page advertisements outlining the content of Council's submission in relation to the merger proposal. The cost of which would be in the vicinity of \$3,200. The Delegate advised that it would be appropriate for Council to widely disseminate information about the Public Inquiry meetings to be held in relation to this merger proposal and the submission process. Arrangements were subsequently made to place appropriate advertising in local newspapers.

### **Social Media and Website**

It is also proposed to conduct a social media campaign on Council's Facebook pages and continue the provision of information on Council's website. To extend the reach of these posts it is proposed to invest \$300 in a four week campaign.

### **Events**

In addition to the above, reference to the merger proposal and the actions the community can take to have their say will be promoted in all speeches, and material developed for shopping centre displays will be used at all council events up until 28 February 2016. This will be at no additional cost to Council.

Given the cost of a mail-out and telephone survey, and the time lag involved in organising such, it is suggested that these two communication tools be discounted as part of a communication campaign. They would not represent value for expenditure, given the closing date of submissions being 28 February 2016.

The development of shopping centre displays and limited advertising in print and via social media and Council's website would equate to a modest expenditure of \$6,000. This combined with the provision of information at events, in speeches, media releases and mayoral columns, at no additional expense to Council, would target the general public including ratepayers, business groups and community organisations. In addition the direct contact/email campaign would target those stakeholders who would, in Council's opinion, be most affected by the merger proposal.

### **Conformance to Community Strategic Plan**

The proposal is consistent with the Shaping Our Future Together Directions Statement:

- Maintain its independent identity and voice through strong local government and community institutions;
- Have constructive and productive partnerships with residents, community groups and institutions.

### **Financial Implications**

Additional funding required to complete a merger communication campaign will need to be provided in addition to Council's adopted budget for Communication Programs. It is recommended that the expenditure associated with the campaign be funded from Council's Contingency Reserve.

**EXTRAORDINARY MEETING**

**Meeting Date:** 28 January 2016

**RECOMMENDATION:**

That:

1. Council implement a merger related public information communication campaign including shopping centre displays, limited advertising in print and via social media and Council's website, direct contact/email by councillors and staff combined with the provision of information at events, in speeches, media releases and mayoral columns as outlined in the report.
2. The total estimated expenditure, in the vicinity of \$6,000, be funded from the Contingency Reserve.

**ATTACHMENTS:**

There are no supporting documents for this report.

**oooO END OF REPORT Oooo**



extraordinary  
meeting

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