
**PROPOSED MERGER OF
RANDWICK CITY, WAVERLEY AND WOOLLAHRA
MUNICIPAL COUNCILS**

**Comments by the NSW Local
Government Boundaries Commission
on the Report by the Delegate
of the Acting Chief Executive Officer
of the Office of the Local Government**



APRIL 2016



Local Government Boundaries Commission
GPO Box 5341
Sydney NSW 2001

The Hon Paul Toole MP
Minister for Local Government
Level 17 NE
52 Martin Place, SYDNEY NSW 2000

Dear Minister

Proposed merger of Randwick City, Waverley and Woollahra Municipal councils

The Local Government Boundaries Commission provides its comments on the Delegate's Report into the above merger proposal under section 218F(6) of the *Local Government Act 1993*.

Yours sincerely

A handwritten signature in black ink that reads 'Bob Sendt' in a cursive style.

RJ Sendt
Chairperson
22 April 2016

1. Summary of Local Government Boundaries Commission comments

The Boundaries Commission has reviewed the Delegate's Report on the proposed merger of Randwick City Council, Waverley Council and Woollahra Municipal Council to determine whether it shows the legislative process has been followed and the Delegate has taken into account all the factors required under the *Local Government Act 1993* (the Act).

The Commission has assessed that:

- the Delegate's Report shows that the Delegate has undertaken all the processes required by section 263 of the Act,
- the Delegate's Report shows that the Delegate has adequately considered all the factors required by section 263(3) of the Act, and
- the Delegate's recommendation in relation to the proposed merger is supported by the Delegate's assessment of the factors.

2. Summary of the merger proposal

On 6 January 2016, the Minister for Local Government referred a proposal to merge the local government areas of Randwick City Council, Waverley Council and Woollahra Municipal Council to the Acting Chief Executive of the Office of Local Government for examination and report under the Act. The following map shows the proposed new council area (shaded in green).



The proposal would have the following impacts on population across the three councils.

Council	2016	2031
Randwick City Council	147,100	174,300
Waverley Council	71,450	82,150
Woollahra Municipal Council	58,250	67,250
New Council	276,800	323,700

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

The Acting Chief Executive delegated the function of examining and reporting on each of the proposals to a number of people, known as 'Delegates'. Delegates were required to examine and report upon each merger proposal rigorously and fairly. The examination process included Delegates calling for submissions and holding a public inquiry on each proposed council merger. Delegates prepared a Report on the proposal and provided that Report to the Local Government Boundaries Commission.

3. Role of the Local Government Boundaries Commission

The Local Government Boundaries Commission is an independent statutory authority constituted under section 260 of the Act. The Boundaries Commission examines and reports on any matter referred to it by the Minister in relation to the boundaries of local government areas and the areas of operation of county councils.

The Boundaries Commission has several functions under the Act. In the current context (where the Minister has elected to refer the proposal to the Office of Local Government, rather than the Boundaries Commission, for examination), the most relevant Commission functions are set out in section 218F(6) of the Act. This section requires:

- the Chief Executive to furnish the Report on the examination of the merger proposal to the Boundaries Commission for review and comment, and
- the Boundaries Commission to review the Report and send its comments to the Minister.

The Commission's role does not involve re-examining the advantages and disadvantages of the proposed mergers, accepting submissions or holding public inquiries.

4. Delegate's recommendations

The Delegate's key recommendation is:

*"The formation of a single merged council will create a financially stronger and more viable council compared to the existing arrangements and will create an organization that will have a greater capacity to deliver ongoing infrastructure needs and improved services. **It is therefore recommended that the proposal be implemented.**"*

The Delegate also made the following other recommendations:

1. *"In order to provide more flexibility to assist in the transition to a more equitable rating structure in the longer term, **it is recommended** that the IPART review of existing rating*

provisions in the Local Government Act 1993 consider removing the limitation on the maximum rate that can be charged.”

2. *In examining the submissions, **it is noted** that views ranged widely: from objections to the proposal (regarding the level of representation, higher rates and provision of services or for unspecified reasons); to support for the proposal on the basis that it would be an improvement over the current arrangements (due to removal of duplication, improved capacity or better coordination)*

*Based on the submissions received **it is recommended** that if the merger proposal is implemented a public information campaign should be undertaken by the new council to address concerns and better inform the community, as part of developing a new community strategic plan.*

3. *To ensure adequate and fair representation, **it is recommended** that the proposed new council have 15 Councillors in total, including a Mayor elected by the Councillors and that the Council be divided into 3 wards of 5 Councillors.*
4. ***It is recommended** that, if the merger proceeds, a new name be chosen which does not include the name of any of the three existing Councils. The name “Eastern Sydney” is proposed.*
5. *A number of minor boundary adjustments were suggested as part of the submissions received for this inquiry, as follows:*
 - a. *Paddington north and south united under one council.*
 - b. *Port Botany united under one council.*
 - c. *Bare Island assigned to Randwick council.*

***It is recommended** that these boundary adjustments be considered separately and that the merits of the various proposals be assessed at that time.”*

5. The Commission’s detailed comments

5.1 Review of the process followed by the Delegate

Under the Act, the Delegate is required to undertake certain processes in examining a merger proposal. These processes include holding an inquiry, allowing members of the public to attend meetings as part of the inquiry and calling for submissions. As part of its review of the Delegate’s Report, the Commission has looked at whether these processes were followed.

In total the Delegate considered 449 written and oral submissions from the public, community and other organisations and councils.

The Delegate held two public inquiries on Thursday, 4 February 2016 at Club Rose Bay.

The Commission’s view is that the Delegate has met the relevant requirements

5.2 Review of the Delegate's consideration of the factors specified in the Act

Under section 263(3) of the Act, the Delegate is required to have regard to a range of factors when considering a merger proposal.

Overall the Commission's view is that the Report shows the Delegate adequately considered all the factors.

The Commission has formed this view based on its review of the discussion presented in the Delegate's Report. The Commission specifically considered whether the extent of that discussion adequately canvassed the range of issues raised in the written submissions made to the Delegate, the views expressed at the public hearings and other information that would have been available to the Delegate.

The Commission makes the following comments relating to each factor:

5.2.1 Financial factors

Section 263(3)(a) of the Act requires the Delegate to have regard to:

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

The Delegate recognised that Randwick and Waverley Councils made a joint submission to IPART for a merger proposal as part of the Fit for the Future assessment. He noted that IPART found that their two way merger proposal satisfied all the FFTF criteria, but that there could be significantly higher benefits if one or more neighbouring councils were included in the merger proposal.

It is further noted by the Delegate that Woollahra Council made a submission to IPART based on standing alone, with IPART determining that the Council did not demonstrate that its proposal to stand alone would be as good as or better than various merger options.

The expected financial results for a merged council were reviewed by the Delegate, with analysis of the KPMG modelling, conservatively estimating \$149 million over 20 years (including a \$25 million grant from the NSW Government). The Delegate noted the concerns by some Councils as to the accuracy of the KPMG assumptions and hence the estimates of net savings. He then discussed independent modelling undertaken by SGS Economics and Planning, and concluded that there were clear benefits ranging between \$149 million and \$235 million compared with stand-alone options.

The Delegate noted submissions received from Woollahra residents expressing concern over potential rate increases due to the significantly higher average land values in the Woollahra LGA (\$1.06 million) compared with Randwick (\$477,000) and Waverley (\$620,000). The Report noted that IPART is undertaking a review of the rating system, which may produce flexibility in setting base rates (the Delegate suggested that the minimum base rate could be increased to 70% from the current 50%), and that since 2008 land values have increased at a significantly higher rate in Randwick (70%) and Waverley (61%) than in Woollahra (23%). The Report suggested that rate increases of 8-10% in Woollahra Council could occur given these considerations, but that a new

council may consider harmonisation strategies such as capping increases on individual assessments if considered necessary.

The Delegate concluded that the formation of a single merged council will create a financially stronger and more viable council compared to the existing arrangements and will create an organisation that will have a greater capacity to delivery ongoing infrastructure needs and improved services. He recommended that IPART consider a proposal to remove the limitation on the maximum “minimum rate” that can be charged, potentially from 50% to 70%.

The Commission’s view is that the Delegate adequately considered the issues under this factor.

The Commission notes that the Delegate’s conclusion on this factor relies, in part, on an assumption that his recommendation to IPART is implemented.

The Commission notes that savings from employment reductions may vary from the KPMG modelling given that the Delegate stated “all three councils have extended employment protections under section 354F of the Local Government Act from 3 years to 5 years”.

5.2.2 Communities of interest

Section 263(3)(b) of the Act requires the Delegate to have regard to:

“the community of interest and geographic cohesion in the existing areas and in any proposed new area”.

The Delegate noted the demographics of each of the existing LGAs, demonstrating similar socio-economic profiles reflected in housing, household incomes, unemployment rates, and education rates. The submission from Waverley Council was noted, which suggested that the Community Strategic Plans for each council have similar themes, strategies and challenges including recognition of cultural heritage, arts and culture, economy and tourism, etc.

However, the Report also noted the strong sense of identity within suburbs of Woollahra as evidenced by submissions, and that concerns were expressed by Woollahra residents about maintaining local autonomy over character and development, given that the population of Woollahra would be 21% of the merged entity and Randwick would be 52%.

The Report noted that there are many examples where one council administration successfully manages areas within its LGA with significantly differing identities, such as the City of Sydney. It also noted that LEPs governing allowable development do not automatically change as a result of Council boundary changes. If a future council wishes to amend its LEP, it would be subject to its own community consultation process. However, the Report also stated that the three existing LEPs are remarkably similar in many of their protections.

The Delegate further noted that an effective council would need to consider the importance of local community groups in managing their LGA going forward and Councillors would be fully aware of the various community interest that would need to be maintained. Having considered the factors raised in submissions in regard to community of interest and assessing the balance of similarities and

differences, the Delegate concluded that the merger proposal is not inconsistent with the factor of communities of interest.

The Commission's view is that the Delegate adequately considered the issues under this factor.

The Commission notes that current LEPs will continue to exist following a merger and it will be a matter for the new council to harmonise or develop new LEPs in consultation with the community.

5.2.3 Historical and traditional values

Section 263(3)(c) of the Act requires the Delegate to have regard to:

“the existing historical and traditional values in the existing areas and the impact of change on them”.

The Delegate noted that the region has a proud heritage with close ties to both indigenous and colonial history, with significant sites scattered across the three council areas and many place names derived from aboriginal culture. An overview of the history of each area was provided within the Report.

The Report noted that all three areas have significant natural assets which are protected and well managed, including areas along the foreshore and natural bushland reserves. It also noted all three areas have a similar recognition of aboriginal heritage and history of European settlement. All three strategic plans highlight the strong focus on heritage conservation and celebration.

The Delegate concluded that areas under the proposed merger have similar historical and traditional backgrounds and this criterion is therefore considered to not be an obstacle to amalgamation.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.4 Attitudes of residents and ratepayers

Section 263(3)(d) of the Act requires the Delegate to have regard to:

“the attitude of the residents and ratepayers of the areas concerned”.

In assessing the attitudes of residents and ratepayers, the Delegate considered the submissions made by the affected Councils, as well as submissions from individuals and community groups and speakers at the public hearings. Of the 449 submissions received, 322 (74%) opposed the proposal, 79 (18%) supported it and 48 (10%) did not state a particular view.

The Report stated that there were far fewer submissions received from Randwick (64) and Waverley (25), compared to Woollahra (333). Of those received from Woollahra, 247 were opposed to the merger and 50 in favour. It noted that many Woollahra residents expressed a fear of loss of identity, of an increase in high rise development, less representation and Councillors being less responsive to individual consistent issues if a merger proceeds.

The Delegate expressed the view that effective local government reform can be achieved when the character of localities are protected and when residents are ensured continued access to an involvement in decision-making and the provision of effective and affordable services appropriate to their needs. In examining the submissions, the Delegate noted that views ranged widely: from objections to the proposal (regarding the level of representation, higher rates and provision of services or for unspecified reasons); to support for the proposal on the basis that it would be an improvement over the current arrangements.

The Delegate concluded that based on the submissions received, there are mixed views on the benefits of mergers in principle and in some areas a poor understanding of this proposal in particular. The Report recommends a public information campaign to be undertaken by the new council to address concerns and better inform the community, as part of developing a new strategic plan.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.5 Elected representation

Section 263(3)(e) of the Act requires the Delegate to have regard to:

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

The Delegate noted that if the merger was implemented with 15 councillors as per the proposal documentation, it would give each Councillor a population of 18,278 to represent, which is higher than current representation in Randwick (9,585), Waverley (5,981) and Woollahra (3,908). It is also noted that the most common number of Councillors is 9 across NSW and in Metro councils, the most common is 12 Councillors. Councils in NSW have up to 21,676 residents per councillor (Blacktown City).

The Report stated that the following factors should be considered in determining the appropriate number of councillors:

- the diversity of the population (and different communities of interest, not simply the number of people);
- the relative workload of councillors (influenced by population, geography and the type of Council and its issues); and,
- avoiding tied votes (hence choosing an odd number including the Mayor).

Taking these factors into consideration, and noting his later conclusion related to wards, the Delegate recommended that if the merger proposal is implemented, there should be 15 Councillors in total including the Mayor (elected by Councillors).

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.6 Service delivery and facilities

Section 263(3)(e1) of the Act requires the Delegate to have regard to:

“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”.

It is noted in the Report that Randwick Council’s view is that a merged entity would provide opportunities for enhanced service levels and complete all infrastructure backlogs of works within 5 years. Waverley Council also highlighted opportunities for a merged entity to expand services in ways that have not been addressed previously due to capacity constraints, and to strengthen regional decision making and planning.

In contrast, the Report noted that Woollahra Council’s submission expressed concern that rate increases in Woollahra will go to improve services and infrastructure in Randwick. It also noted concerns expressed in some submissions that service levels would decrease in the proposed new merged council.

The Delegate concluded that harmonisation of service levels will be a major undertaking for any new entity, to balance the potential for services to increase in scope and quality on the one hand and to manage the cost of providing that service across the whole LGA on the other. In addition there will need to be changes to services to match changing demographic and population size. The Report stated that all of these factors will need to be balanced to achieve the best outcome in an equitable and effective way. Given these considerations, the Delegate saw no impediments to the merger proposal proceeding on this criterion.

The Commission’s view is that the Delegate adequately considered the issues under this factor.

5.2.7 Employment impacts on staff

Section 263(3)(e2) of the Act requires the Delegate to have regard to:

“the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned”.

The Report discussed submissions received from each Council. Randwick highlighted that it is a leader in local government, attracting high performing engaged staff and that the Council does not see staff reductions as the outcome of a merger, but rather that new and enhanced services would be able to be delivered by their skilled staff. Waverley also believes that the proposed merger will leverage existing capability and build on knowledge, creativity and innovation.

However, the Delegate noted that Woollahra expressed concern at the potential loss of local expertise as staff employed to manage the specific issues of Woollahra may diminish and these skills may not be easily replicated by staff at other Councils, resulting in lower service levels.

The Report noted that under section 354D of the Act, employee entitlements for non-senior staff are protected for 3 years from the date of proclamation of a new merged entity. The Delegate also

understood that all three councils have extended employment protections under section 354F of the Act from 3 years to 5 years.

The Delegate concluded that if the proposal is implemented, there are potential benefits for staff development, training and career paths, and other impacts on staff can be managed with the 5 year protections in place for non-senior staff and appropriate risk management.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.8 Rural impacts

Section 263(3)(e3) of the Act requires the Delegate to have regard to:

“the impact of any relevant proposal on rural communities in the areas concerned”.

As the merger proposal involves three Sydney Metropolitan councils, the Delegate concluded there are no rural communities in the area to which this criterion would apply.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.9 Wards

Section 263(3)(e4) of the Act requires the Delegate to have regard to:

“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”.

It is noted in the Report that submissions from each Council recommended there be 5 wards of 3 councillors each. It was also noted that other submissions from the community expressed the view that the merged area should not be divided into wards as it perpetuates current divisions between councils and would result in local issues being over-ruled as ward Councillors would not have a majority.

Woollahra Council's submission highlighted the number of very high quality councillors in their area and 5 wards would limit how many of them could be elected to the merged council.

The Delegate concluded that to ensure adequate and fair representation, it is recommended that if the merger proceeds, the Council be divided into 3 wards of 5 Councillors, including a Mayor elected from the Councillors. He considered this to be an appropriate arrangement to allow Councillors to establish themselves, to represent the diverse communities within the merged area and to allow the best Councillors to be elected.

The Commission's view is that the Delegate adequately considered the issues under this factor.

The Commission notes the Delegate recommended the merged entity has three wards of five councillors, and that this differs from the council's recommendations of five wards of three councillors. The Commission also notes that the Delegate provided very little analysis to support this recommendation.

5.2.10 Opinions of diverse communities

Section 263(3)(e5) of the Act requires the Delegate to have regard to:

"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".

The Delegate discussed Randwick Council's submission, which indicated that it uses leading engagement principles to consult and communicate with their diverse communities, especially in the utilisation of new technology communications and social media.

The Report also noted that concern was expressed by some respondents that their particular community of interest may be disadvantaged in a merger. For example, the current focus on art, events, trees, heritage, parks, foreshore walkways and the like may have a different priority in a merged council.

The Delegate noted that any merged council would need to address these operational concerns in serving their communities effectively. As stated in the Report, other representational issues have been addressed under representational issues and under community of interest and geographic cohesion.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.11 Other issues

Section 263(3)(f) of the Act requires the Delegate to have regard to:

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

Consistent with submissions, the Delegate recommended that if the merger proceeds, a new name be chosen which does not include the name of any of the three existing Councils.

A number of boundary adjustments were suggested within submissions. The Delegate recommended that these adjustments be considered separately and that the merits of the various proposals be assessed at that time. These proposed adjustments are:

- The North and South Paddington areas should be merged together as one suburb and not be split under the control of two councils;
- Port Botany and surrounding lands should be under one council. However, opinions differ between submissions on what lands should be included and to which Council they should be transferred.
- Bare Island should be brought under Randwick Council (currently Bare Island is unassigned to any LGA).

The Delegate has also noted the submission from Waverley Council that consideration be given to governance arrangements including an interim council with three geographically based committees to oversee transition from the date of proclamation of the new entity to the democratic election of Councillors. The Delegate noted this submission but does not state an opinion.

The Commission's view is that the Delegate adequately considered the issues under this factor.

The Commission notes that the name for a new council and suggested boundary adjustments are matters for the Minister.