POSITION PAPER

In response to the
INDEPENDENT LOCAL GOVERNMENT REVIEW
24 February 2013

ABOUT HUNTERS HILL MUNICIPALITY

• Hunters Hill Municipality is one of the earliest local government areas in New South Wales (1861), and the only one of the original councils to have essentially kept its historic boundaries. In 2011 it celebrated 150 years with the community.

• Hunters Hill, with its 19th century stone and timber houses, tree-covered environment and bushland areas, is recognised as one of the most significant heritage and historic municipalities in the nation.

• It is Australia’s oldest surviving ‘garden suburb’, that is, a suburb of detached houses in gardens. It was listed by the National Trust in 1974, and is on the register of the National Estate. It is known for its “village atmosphere” and can truly be described as a “National Treasure”.

• The Municipality contains more heritage-listed items per head of population than any other area in the NSW, and many significant natural areas including Boronia Park and Kelly’s Bush.

• The historic boundaries of the Parramatta and Lane Cove Rivers, and Punt, Victoria and Pittwater Roads remain today as our natural and relevant boundaries, and geographically define our community of interest.

OUR RESPONSE TO LOCAL GOVERNMENT REVIEW

• Hunters Hill Council recognises the need for all tiers of government – local, state and federal – to take a closer look at government structures and finances and the way that governments deliver services to the community.

• Hunters Hill Council endorses the NSW Liberal-National Coalition Government’s pledge, as set out in NSW 2021: A Plan to Make NSW Number One, to strengthen our local environment and our local community:

    Individuals, families, businesses and communities know best what works for them – wherever they are. The NSW Government will trust and encourage this local energy, innovation and ownership and work to strengthen community relationships.
We will give local communities more control on issues such as tackling graffiti, planning issues and the quality of the built and natural environment, conservation, safety and emergency preparation, volunteering and recreational and cultural activities.

We will return as much decision making as possible to local communities and to those affected by the decisions. In addition, new opportunities for local decision making by councils, community, business organisations, individuals and neighbourhood groups will be pursued across all government agencies.

NSW 2021: A Plan to Make NSW Number One (Chapter 4)

- Hunters Hill Council believes that a key element for successful change is support of the local community. If communities of interest are either fractured or pushed together in artificial groupings, this will diminish community wellbeing and identity. Reshaping councils into standard populations or geographic areas will not correspond to the uneven distribution of infrastructure, economic and employment centres. Nor will it create alignment with inconsistent State and Federal agencies’ operational boundaries.

- Hunters Hill Council holds the NSW Government to its pre-election promise of no forced amalgamations. We believe that reform should introduce changes that enable real improvements, without the need for mandatory amalgamations. In 1999, in answer to a question at the Local Government Election, over 80% of residents voted against amalgamation. At the 2012 Local Government Election, the popularly elected Mayor and all Councillors were elected on policy pledges of no amalgamation.

- The financial management of Hunters Hill Council is sound, as recently verified by the NSW Treasury Corporation and the Independent Pricing & Regulatory Authority.

- Local government reform should include mechanisms that allow councils to undertake cooperative activities more easily and efficiently. Hunters Hill Council supports reform that will strengthen our capacity to engage in collaboration that delivers improved value for money and is in the best interests of our community. This may include utilising local businesses and partnering with other organisations, as well as cooperating through Regional Organisations of Councils (ROCs). With greater flexibility we can improve our operations while maintaining local participation and democracy to our constituents under our existing boundaries.

- Hunters Hill Council believes that greater collaboration can and should take place in our region, with appropriate support from and recognition by the NSW Government. Together with the other six member Councils of the Northern Sydney Regional Organisation of Councils (NSROC), we continue to investigate and implement new shared services and joint activities that recognise the strategic gains from sharing of resources, deliver financial and service delivery benefits, and maximise the outcomes from our community’s assets.

- The following annexure, *Analysis and Response to the Local Government Review Panel’s Discussion Paper – November 2012*, addresses in greater detail the position of Hunters Hill Council regarding issues including:
  - community of interest;
  - appropriate recognition of social capital;
• the value a community places on its local area and Council;
• the important role communities play in protecting the history and heritage of their local government areas;
• the adverse impacts of amalgamations, including dislocation of communities and the costs involved;
• the importance of a respectful partnering between State and local government;
• the advantages stemming from voluntary membership of Regional Organisations of Councils (ROCs);
• the problems created by ‘rate-pegging’ and ‘cost shifting’ by the NSW government and its departments and agencies;
• the allocation of resources for infrastructure;
• the need for a ‘systems thinking’ approach towards local government and a discussion on ‘benefits realisation and management’, ‘economic and financial appraisal’, and ‘pricing policy’. 
Analysis and Response
of
Local Government Review Panel’s Discussion Paper

March 2013
EXECUTIVE SUMMARY

This analysis and response aims to identify concerns with certain assumptions and directions in the discussion paper.

Any review should be about effecting change that will create a better system of local government and improve the efficiency and effectiveness of the services that local government delivers.

Clearly the State Government sees local government as a delivery mechanism, or partner. However, the goals and targets of the State Plan cannot be achieved unless there is a true partnership agreement. A major concern is where Councils are involved, will the costs of delivery be passed onto local government as another impost. How is this being recognised and considered in the review process?

Assumptions contained in the paper about structural reform are both premature and deficient in approach at this time, particularly as there would appear to have been insufficient weight given, or time taken, to consider the impact on the social fabric and communities of interest that exist in all Councils, both metropolitan and regional.

The representation of the systems approach in the discussion paper is gives virtually no weight to the potential social impacts of reform. If a true systems thinking approach is to be used then measurement of social capital must be included and the impacts of any proposed changes considered in terms of positive and/or negative impacts on communities as part of any decision-making process.

It is argued that systems thinking, which includes a focus on societal, community and organisational outcomes will more capably represent the system of local government.

The current case for change is weakened by the speed with which it is moving and its failure to properly and thoroughly engage the community and to utilise the extensive networks that Council have in their local communities – that is 'community of interest'.

This analysis submits that to ensure that the complexity of local government is properly considered, the opportunity must be provided for Councils to communicate and discuss with their communities any potential changes using the social capital that each Council has built up over time within its communities.

This review is or should be about the whole relationship between local government systems and not just one part, as the review of the planning system seeks to do.
If the economic rationalists approach over all else prevails, then society and community outcomes and effects will be largely ignored.

There are significant challenges of change and fiscal responsibility facing local councils and these can be tackled with the use of better tools and learning from others. Any proposals for local government should be tested and modelled to provide the necessary rigour to support evidence-based decision-making.

It could be argued that while Councils set the future course with D2036 in Dubbo, imposition of the Local Government Review, which was never intended but propositioned by the LGSA (without consultation with its member Councils) may well divert this course.

The analysis of options and recommendations should be based on the principles outlined elsewhere in this response including the sustainability principles of a strong economy, strong communities, and a healthy environment. The report should also consider other issues such as service delivery, communities of the future, history, heritage, geography, and economies of scale.

At a minimum any final report should be strongly evidence based and address the following:

- Short term options and long term recommendations
- Financial and Cost-Benefit Analysis of options, proposals or recommendations
- Methods of improving service access, service delivery and efficiency (e.g. continuous improvement or best value principles)
- An analysis of the heritage and social impact of any proposals on local communities
- Legislative changes and amendments required (as necessary).
INTRODUCTION

Typically approaches to a ‘reform agenda’ proposed by previous State governments, academics and others, is that ‘one size fits all’ and that bigger is better.

These approaches fail to respond to the two following basic fundamental questions:

Why is reform needed?
AND
What is it supposed to achieve?

There has previously been too often little, if any, consultation with local government about reform and in the present circumstances there is still some consternation about a lack of guidance or guidelines from the State Government about the type of reform it desires.

Most of the proposals currently being touted present amalgamations as a solution, regardless of whether the problem is for example, the financial weakness of small rural councils, or slow processing of development applications in the inner city.

A study of both Australian and overseas experiences of local government reform tend to support that the ‘catch-all’ amalgamation approach has been used.

But what research also indicates is that it has rarely succeeded in producing seamless and trouble-free transitions, nor have they produced significant gains in efficiency and effectiveness, particularly in the short-term.

Evidence of this conclusion can be found in a number of publications including:

2. Working Paper Series April 2010 Local Government Amalgamation in New South Wales Ian Tiley and Brian Dollery Centre for Local Government, UNE

Whenever the terms ‘change’ or ‘reform’ are mentioned inevitably a fear factor arises and the only concept that many people can comprehend is ‘amalgamation’. Councils should take a different view and accept the premise that we are being challenged, or provided with an opportunity by this review to lead the way and be involved in the reform process.

That is, Councils should seek to take a proactive approach where there is strength and unity in consensus and numbers, and adopt a more consultative approach with like-minded Councils to promote alternative policy positions.
This is an opportunity to explore a reasoned and logical reform agenda that encompasses and includes all three levels of government and their impacts on local democracy at a broader regional level, as opposed to a micro, or local Council level – provided that it is clearly established ‘Why reform is needed? AND What is it supposed to achieve?’

It is an opportunity for the State Government and all Local Councils to walk a ‘path together’.
SETTING THE SCENE

The present review arose from local governments desire to create a vision and understand where it needs to be to respond to its communities in another 25 years (2036).

There are now four components that are interlinked and need to be understood in this process:

1. Destination 2036
2. Terms of reference
3. State Plan 2021
4. Independent Review Panel

- **Destination 2036**

“Over the next 25 years local communities will undergo considerable transformation.

Demographic, economic, technological and environmental change will present significant challenges and opportunities for both our communities and the councils that serve them.

On the 17th and 18th August 2011, the NSW Government, in partnership with the Local Government and Shires Associations of NSW (LGSA) and Local Government Managers Australia (NSW) (LGMA (NSW)), hosted an historic event in Dubbo - Destination 2036. The event sought to consider these issues, and to develop a clear, achievable and shared path to a strong and resilient local government sector, responsive to the current and future needs of our communities.

The Destination 2036 workshop was the first of its kind for NSW. Every one of the State’s 152 general purpose councils was represented both at the elected and executive levels. Most of the State’s County Councils and all of the Regional Organisations of Councils (ROCs) were represented and participated in their own right…

We all want a strong and robust Local Government sector, for the communities that we serve, for the ratepayers that fund our operations and for the vast number of employees that work in our councils – not just for today, but for the long term. The Destination 2036 Action Plan provides a clear pathway to achieve that aim. But it will require the entire sector, together with the State and Commonwealth Governments, to work constructively and in partnership with the community and stakeholders to achieve the required reforms”. *(Destination 2036 Action Plan, June 2012, page 6)*.

The Destination 2036 workshop also established the following:

**STRATEGIC DIRECTIONS FOR NSW LOCAL GOVERNMENT**

**EFFICIENT AND EFFECTIVE SERVICE DELIVERY**

*Establish frameworks that facilitate and encourage effective, responsive and innovative service delivery.*

**QUALITY GOVERNANCE**

*Enhance the governance framework to ensure community confidence in councils and to further enable Local Government to meet community needs and challenges.*
FINANCIAL SUSTAINABILITY
Ensure the financial sustainability of councils.

APPROPRIATE STRUCTURES
Develop a variety of Local Government structural models to suit different environmental contexts.

STRONG RELATIONSHIPS
Improve the relationship between the State and Local Government by working as partners, with a clear understanding of respective roles and responsibilities and for the benefit of our communities.

Over seventy actions were identified at Dubbo and these were incorporated into a number of initiatives. These initiatives have evolved into the Destination 2036 Action Plan and these actions are being implemented by the Implementation Steering Committee (ISC) (being the DLG, LGA & LGMA).

• Terms of Reference for Independent Review Panel

The following terms of reference are clear and succinct and arose from the original Destination 2036 workshop held in Dubbo in August 2011.

“Following the approach from the Local Government and Shires Associations of NSW, the NSW Minister for Local Government has agreed to appoint a three member panel to develop options to improve the strength and effectiveness of local government in NSW. The review will drive key strategic directions identified in the Destination 2036 initiative and support the broader objectives of the State as outlined in NSW 2021: A Plan to Make NSW Number One (the State Plan).

The panel will investigate and identify options for governance models, structural arrangements and boundary changes for local government in NSW, taking into consideration:
1. ability to support the current and future needs of local communities
2. ability to deliver services and infrastructure efficiently effectively and in a timely manner
3. the financial sustainability of each local government area
4. ability for local representation and decision making; and
5. barriers and incentives to encourage voluntary boundary changes.

Other considerations
In conducting the review the panel will:
1. Ensure recommendations meet the different nature and needs of regional, rural and metropolitan communities.
2. Consult widely with the broader community and key stakeholders.
3. Take into account the work completed, and future work to be completed, under the Destination 2036 initiative.
4. Take into account the broader interests of the State including as outlined in the State Plan.
5. Consider the experiences of other jurisdictions in both the nature and implementation of local government reform.
6. Take into account the Liberal-National’s 2011 election policy of no forced amalgamations.

To support the above the Panel may commission appropriate investigations and research consistent with the intent of the review”.

- **State Plan 2021**

The current State Plan is a strategy document, not a visionary document.

The Plan has 32 goals of which 14 goals and 43 targets involve local government as either a partner or a delivery mechanism. *(See following diagram extracted from State Plan 2021)*

Table 1 is a representation of how the plan impacts on local councils.

Clearly without local government as a delivery mechanism, or partner, the goals and targets of the State Plan cannot be achieved. Also of major concern is where Councils are involved, will the costs of delivery be passed onto local government as another impost.

In respect of delivery, more resources will be needed not less. Less Council’s equals less resources.

If there is a flaw in the plan it is the apparent lack of integration with other key plans such as the State Infrastructure Strategy and the Metropolitan Strategy, the key driver of economic development.

Richard Tomlinson recently wrote in *Australia’s Unintended Cities* that there are many unintended consequences of urban planning that result from poor governance arrangements for metropolitan areas and planning and service delivery. Chapters within the book by various writers argue that this is a result of disconnect between the three levels of government. *(Australia’s Unintended Cities - The Impact of Housing on Urban Development. Richard Tomlinson. University of Melbourne. CSIRO Publishing, November, 2012.)*

The State Plan clearly indicates its major desire to improve the performance of the economy, yet it ignores the fundamental driver and delivery mechanism, the Metropolitan Strategy. The Metropolitan Strategy will in turn be reflected in and driven by Local Government through their Local Environmental Plans (LEP’s).
This is the type of disconnect identified by Tomlinson and unless rectified will see the three levels of government blaming each other for various failures without really understanding why.

Clearly the plan will rely on a regional approach to delivery as the State Plan has also been broken down to a series of Regional Action Plans. These RAP’s will be considered in each Councils individual Community Strategic Plan as part of the IP & R framework. This should also be reflected and recognised in the local government review process, particularly if cost-shifting is a consequence of implementation.
TABLE 1: STATE PLAN GOALS AND TARGETS IMPACTS ON LOCAL GOVERNMENT

<table>
<thead>
<tr>
<th>GOALS (14)</th>
<th>TARGETS (43)</th>
<th>LOCAL COUNCIL ROLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Created by State)</td>
<td>(Set by State)</td>
<td>(Partner and/or Deliver)</td>
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</table>
| 19. Invest in critical infrastructure | • Increase expenditure on critical NSW infrastructure  
• Improve the quality of urban and rural State roads  
• Enhance rail freight movement | Partner and/or Deliver  
Partner and/or Deliver |
| 20. Build liveable centres | • Planning policy to encourage job growth in centres close to where people live and to provide access by public transport | Partner and/or Deliver |
| 21. Secure potable water supplies | • Secure long term potable water supplies for towns and cities supported by effective effluent management | Partner and/or Deliver |
| 22. Protect our natural environment | • Protect and restore priority land, vegetation and water habitats  
• Manage weeds and pests  
• Protect and conserve land, biodiversity and native vegetation  
• Protect rivers, wetlands and coastal environments  
• Protect local environments from pollution  
• Increase renewable energy | Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver |
| 23. Increase opportunities for people to look after their own neighbourhoods and environments | • Increase the devolution of decision making, funding and control to groups and individuals for local environmental and community activities  
• By 2016, NSW will have the lowest litter count per capita in Australia  
• Increase recycling to meet the 2014 NSW waste recycling targets  
• Reduce graffiti  
• Increase neighbourhood crime prevention  
• Minimise impacts of climate change in local communities | Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver |
| 24. Make it easier for people to be involved in their communities | • Increase volunteering  
• Increase community participation,  
• Improve our sense of community <br>(Note 1) | Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver |
| --- | --- | --- |
| 25. Increase opportunities for seniors in NSW to fully participate in community life | • Develop and implement a whole of NSW government strategy on ageing by 1 July 2012  
• Implement standard retirement village contracts | Partner and/or Deliver  
Partner and/or Deliver |
| 26. Fostering opportunity and partnership with Aboriginal people | • Close the life expectancy gap within a generation  
• Increase the number of Aboriginal communities the State Government is partnering with to improve local outcomes  
• Support Aboriginal Culture, Country and Identity | Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver |
| 27. Enhance cultural, creative, sporting and recreation opportunities | • Increase participation in sport, recreational, arts and cultural activities in rural and regional NSW from 2010 to 2016 by 10%  
• Increase participation in sport, recreational, arts and cultural activities in Sydney from 2010 to 2016 by 10%  
• Increase THE number of major international sports, artistic, creative and cultural events in NSW from 2010 to 2016 by 10%  
• Increase the number of opportunities for cultural participation,  
• Enhance the cultural and natural heritage in NSW  
• Recognise and protect the State’s most significant heritage places and values <br>(Note 2) | Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver |
| 28. Ensure NSW is ready to deal with major emergencies and natural disasters | • Ensure NSW has appropriate arrangements in place to respond to and recover from natural disasters  
• Defend against suburban and bushland fires  
• Increase the number of Floodplain Risk Management Plans available to support emergency management planning  
• Maintain preparedness to deal with biosecurity threats | Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver |
|---|---|---|
| 29. Restore confidence and integrity in the planning system | • Implement a new planning system  
• Up to date information about planning decisions  
• Increase stakeholder satisfaction with planning processes and transparency | Partner and/or Deliver  
Partner and/or Deliver  
Partner and/or Deliver |
| 30. Restore trust in State and Local Government as a service provider | • Promote integrity and accountability in the public sector  
• Increase customer satisfaction with government services  
• Improve innovation within the public sector | Partner and/or Deliver  
Partner and/or Deliver |
| 31. Improve government transparency by increasing access to government information | • Increase the public availability of government information  
• Up–to–date information about government services | Partner and/or Deliver  
Partner and/or Deliver |
| 32. Involve the community in decision making on Government policy, services and projects | • Increased proportion of people who feel able to have a say on issues that are important to them  
• Increase opportunities for people to participate in local government decision making | Partner and/or Deliver  
Partner and/or Deliver |

*Note 1 – HHC has highest per capita rate of volunteers in Sydney. Note 2 – HHC heritage 75% covered by Conservation Order.*
Independent Review Panel

The Independent Local Government Review Panel is responsible for providing advice to Government on key actions relating to governance, structure and financial sustainability, as outlined in its terms of reference, to improve the strength and effectiveness of Local Government in NSW. It is to play a vital role in facilitating the contribution of the community, councils and other stakeholders. The ISC will also contribute thinking to support the Panel in developing recommendations.

More importantly perhaps what should have captured people’s attention is the following extract from page 9.

“2.2 How healthy is the system?

The Panel believes that the current system of local government looks superficially well enough, but is really in quite poor shape.

On the whole, councils continue to deliver a reasonable range of services and do so quite efficiently.

But on closer examination it becomes evident that underlying financial problems and infrastructure backlogs are mounting; grants are not being allocated sufficiently to areas of greatest need; many more councils should be applying for Special Rate Variations; efficiency, effectiveness and regional collaboration must be improved considerably to make the best use of scarce resources; there are too many layers of regulation; too many councils focus on compliance rather than performance; the local government associations need to play a stronger role; and so on.

Despite recent improvements, the State/Local relationship is typically regarded in local government circles as one of ‘master to servant’. Compared to other States, NSW has been slow to establish processes for regular policy dialogue between State and local government. Some State policies affecting local government cut across each other with adverse, unintended consequences. For its part, local government has failed to raise its sights and make it itself a more attractive partner”.

About Hunters Hill

Hunters Hill Municipality was founded in 1861 and is located about 7 kilometres from the Sydney GPO. Hunters Hill is bound by Buffalo Creek and the Lane Cove River in the north, Tarban Creek and the Parramatta River in the south, and Punt Road, Victoria Road, Pittwater Road and the City of Ryde in the west.

Hunters Hill Municipality includes the suburbs of Gladesville (part), Henley, Hunters Hill, Huntleys Cove, Huntleys Point and Woolwich.

The Municipality is predominantly a residential area with very little commercial or industrial land use. Hunters Hill is the smallest local government area in metropolitan Sydney, covering an area of 6 square kilometres, including many parks and reserves.

Hunters Hill is recognised as Australia’s oldest garden suburb, with 75% of the Municipality declared a conservation area. The original inhabitants of the area were the Wallumedegal Aboriginal people. European settlement dates from 1795 when land was first farmed. Growth was minimal until the late 1840s when many mansions were constructed (many of them from local sandstone) and a monastery was established. Growth took place from the 1880s to the early 1900s, spurred by subdivision, the establishment of a regular ferry service, the opening of several bridges and growth in the shipbuilding industry. The population in 2010 was 14,591.

Magnificent sandstone buildings, heritage listed houses and buildings with significant stone walls that border the streets are found within the Municipality. Gladesville Hospital and The Priory (the original home of the Marist Father’s Order) are two publicly accessible examples of early colonial sandstone structures.

A rich, diverse and significant tree canopy, suburban bushland and parks are evidenced in The Great North Walk, Boronia Park, Tipperary Falls, Buffalo Creek Reserve, Riverglade (Tarban Creek) Reserve, Gladesville Reserve and Bedlam Bay (Parramatta River) Regional Park.

Living and working examples of our nation’s early shipbuilding and maritime industry are on display at Woolwich Dock and Lookout, Clarkees Point Reserve, Mort’s Reserve, The Goat Paddock, The Horse Paddock, Kelly’s Bush and Weil Park.

A commitment to education and learning - that for such a small area – has and continues to be a significant part of Sydney’s development at; St Josephs College, Marist Sisters College,
Villa Maria Parish School, Hunters Hill Public School, Gladesville Public School, Boronia Park Public School, Hunters Hill High School, and Riverside Girls High School.
Our vision for our future

In 2030........

Hunters Hill is renowned for its well preserved heritage buildings, sandstone walls, magnificent tree canopy and bushland, surrounded by its pristine waterways and sandstone seawalls. People enjoy and embrace the lifestyle, restaurants and cafes, and quiet ambience that complement Australia’s oldest garden suburb.

Architectural excellence is evident throughout Hunters Hill. New developments have been limited in height to 2 storeys in residential areas, which is compatible with the character of the area.

There is a strong sense of community, residents are committed to the area, know their neighbours and feel a strong sense of belonging to Hunters Hill.

Our Aboriginal heritage and cultural diversity are reflected in a vibrant cultural scene and harmonious community.

The broad needs of the community are provided through a range of facilities, services, and events. Community organisations are flourishing with many residents volunteering their time and participating in a wide variety of activities.

Gladesville is the focal point of commerce and our thriving village centres (Woolwich, Garibaldi, Hunters Hill, and Pittwater Rd) are warm and welcoming, supported by a network of business people and the community.

Our footpaths, walking trails and cycleways are popular as they connect the Municipality and provide access to waterways, foreshores, and open green spaces, and traffic is managed so that people can move around safely. Residents and visitors can get where they want to go easily via an integrated public transport system that is cost effective, comfortable, convenient and accessible.

Ferries are bringing people from all parts of the world to enjoy what Hunters Hill has to offer, and this has led to water’s edge improvements around the wharves.

We have upgraded our infrastructure, public facilities, urban spaces and sea walls by taking up opportunities to provide more diverse sources of income. Council has sustainably managed its assets with the support of the community to ensure its on-going financial viability.

Hunters Hill has become a jewel in the World’s greatest city, Sydney.

(Hunters Hill 2030 – Community Strategic Plan)
What Our Residents say about Hunters Hill

- In 1999 in answer to a question at the Local Government Election residents voted overwhelmingly (over 80%) against amalgamation.
- In 2003 the Council resolved to strongly and publicly oppose any boundary change.
- In 2003 in one of the largest public meetings ever held in the Hunters Hill Town Hall, residents unanimously resolved to “affirm its overwhelming support for the retention of our historic boundaries.”
- The popularly elected Mayor and all other Councillors elected in the October 2012 Election were elected by the community on policy pledges of no amalgamation; maintaining the integrity and independence of Council; and protecting our significant heritage, environmental and community values.

HISTORIC MUNICIPALITY

- Hunter’s Hill Council is one of the earliest local government areas in New South Wales (1861), and the only one of the original councils to have essentially kept its historic boundaries. In 2011 it celebrated 150 years with the community.
- Hunters Hill, with its 19th century stone and timber houses, tree-covered environment and bushland areas, is recognised as one of the most significant heritage and historic Municipalities in the nation. It is Australia’s oldest surviving ‘garden suburb’, that is, a suburb of detached houses in gardens. It was listed by the National Trust in 1974, and is on the register of the National Estate. It is known for its “village atmosphere” and can truly be described as a “National Treasure”.
- The Municipality contains more heritage listed items per head of population than any other area in the State, and many significant natural areas including Boronia Park and Kelly’s Bush.
- The historic boundaries of the Parramatta and Lane Cove Rivers; and Punt, Victoria and Pittwater Roads; remain today as our natural and relevant boundaries.
What our community says about Hunters Hill (continued)

COMMUNITY VALUES

• The ‘community of interest’ and sense of belonging is extremely strong and runs right across the Municipality. This is evidenced by the large number of local community and cultural groups, and the great spirit and determination of its residents. Long established groups include: Hunters Hill Tennis and Hunters Hill Music established in 1880’s, Hunters Hill Rugby 1892, Hunters Hill Club 1901, Hunters Hill Theatre 1930, Hunters Hill Annual Art Exhibition 1955, Hunters Hill Historical Society 1961 and Hunters Hill Trust 1968. All are active today.

• The community and Council have led the way in developing environmental and heritage protection and controls through the Local Environmental Plan (LEP), Development Control Plans (DCP’s) and the conservation areas. This has provided a level of protection, and experience and awareness of these issues by Council and the community. The Hunters Hill community values local democracy and decision-making, participation on local community and Council committees, and the ability to contact Councillors and Council staff flowing from the small size of the Municipality.

• The community has a proud history of fighting for and maintaining its independence, heritage and environment. It is recognised that, but for the actions of its residents, much of the area’s heritage would have been lost. It is worth noting that a much higher percentage of people in Hunters Hill do voluntary work than is the State average.

Source: ‘Discover Hunters Hill’ website  
www.huntershill.com.au
A Systems Approach

The diagram shown on page 10 of the discussion paper indicates relationships and interactions, Council would posit that it does not portray the whole ‘system of local government’, only a part of the system.

Wikipedia defines systems thinking as:

“…the process of understanding how things, regarded as systems, influence one another within a whole. ... In organizations, systems consist of people, structures, and processes that work together to make an organization “healthy” or "unhealthy".

“Systems thinking has been defined as an approach to problem solving, by viewing "problems" as parts of an overall system, rather than reacting to specific part, outcomes or events and potentially contributing to further development of unintended consequences”.

“Systems thinking focuses on cyclical rather than linear cause and effect”.

While the diagram is represented in a cyclical manner the reality is that the majority of the interactions and relationships shown are in fact linear in their cause and effect. It can be argued that the diagram therefore represents only part of the system and not the real complexity of local government.

Local government and its relationships with other levels of government can be and often are very complex.

Ted Cadsby wrote in the Harvard Business Review, June 2011 about this complexity that:

“... However, systems thinking, chaos theory, power laws, and the like are not enough...problems also demand multiple minds with distinct perspectives, interacting with one another in a dynamic, dialectical process. These kinds of high-quality conversations don’t arise spontaneously — they need to be facilitated. Brilliant leadership is now about brilliant facilitation. And brilliant facilitation employs strategies based on three principal insights about complexity:

1. Complexity is different

If a problem is constructed of many interacting parts and admits to no obvious solution...the safe bet today is to assume complexity. Leaders beware: Complexity is deceptive — it entices untrained minds to force-fit simple mental models onto wicked problems, resulting in those problems being oversimplified and misunderstood.

2. Complexity cannot be rushed

As Chief Facilitation Officers, leaders must resist the temptation to hurry through the exploration of wicked problems, and just as importantly, resist the pull of management teams and boards to rush to consensus. Complexity does not yield to tight agendas and discussion deadlines. Our brains, constrained as they are by their size, structure, and energy requirements, need time to unbundle the information cues that make complexity intelligible. Leaders beware: Rushing complexity can lead to misguided decisions, resulting in nasty surprises in the form of unintended consequences.
3. Complexity does not accommodate certainty

Our minds abhor ambiguity; they will do anything to eliminate uncertainty. But when certainty is applied to complexity, the result is unwarranted confidence, because certainty closes the door to alternative perspectives. The brilliant facilitator doesn’t accept the first satisfactory answer, but pushes the team to question every preliminary conclusion. The brilliant facilitator creates the kind of tension that generates high-quality problem solving and fosters a tolerance for ambiguity and discomforting uncertainty. Leaders beware: Sometimes the best solutions emerge the next day, the next week, or some other time when new information, or better yet, a new perspective, surfaces. Managing complexity is iterative and never final, which is why brilliant facilitators are not reluctant to revisit decisions.

Complex problems require complex thinking, which in turn require complex conversations. In a world of wicked problems, the effective facilitation of leaders equips organizations with better decisions and boards with better governance. (Harvard Business Review, June 2011) (4)

Therefore Council would argue that systems thinking, which includes a focus on societal, community and organisational outcomes will more capably represent the system of local government.

Perhaps a systems thinking diagram of local government should look more like the following, which also recognises those matters that are outside the system, but that will have an irrefutable and important impact.
Therefore while the diagram in the discussion paper becomes more useful in understanding the casual or linear relationships between each level of government, it does not provide a broader insight into the very important relationship between local councils, their local community and the broader community (society), or the complexity of these relationships.

Hunters Hill Council contends that the current case for change is weakened by the speed with which it is moving and its failure to properly and thoroughly engage the community and to utilise the extensive networks that Council have in their local communities – that is ‘community of interest’.

Council submits that to ensure that the complexity of local government is properly considered then the opportunity must be provided for Councils to communicate and discuss with their communities any potential changes using the social capital that each Council has built up over time within its communities.

Social capital is about the value of social networks, bonding similar people and bridging between diverse people, with norms of reciprocity (Dekker and Uslaner 2001[11]; Uslaner 2001[12]). Sander (2002, p. 213)[13] stated that ‘the folk wisdom that more people get their jobs from whom they know, rather than what they know, turns out to be true’. Adler and Kwon (2002)[13] identified that the core intuition guiding social capital research is that the goodwill that others have toward us is a valuable resource. As such they define social capital as ‘the goodwill available to individuals or groups. Its source lies in the structure and content of the actor’s social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor’ (Adler and Kwon 2002, p. 23)[13]. Dekker and Uslaner (2001)[13] posited that social capital is fundamentally about how people interact with each other.

There are therefore numerous definitions of social capital found in the literature. (Social Capital Research Website June 2004) (5)

For the purposes of this discussion it is proposed that the following definitions of Fukuyama are adopted.

1. ‘The ability of people to work together for common purposes in groups and organizations’
2. ‘Social capital can be defined simply as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them’ (Trust: the social virtues and the creation of prosperity. Fukuyama, Francis. 1995. London: Hamish Hamilton). (6)

Social Capital is an intangible or ‘soft’ asset (as opposed to infrastructure or ‘hard’ assets), but it is no less important to the operation of a successful local Council.

Nowhere is this more evident than in the Municipality of Hunters Hill.
How do we measure social capital?

The discussion paper suggest the following about ‘communities of interest’

There is still no definitive approach to the concept of ‘communities of interest’, which can vary widely in their focus and extent. Some are strongly place-based; others are not, especially in metropolitan areas. (Page 29)

Hunters Hill Council would argue that this is not correct and provides the following supporting evidence from the World Bank.

“The World Bank increasingly supports participatory and “bottom-up” approaches to development. As demands for greater accountability and real results have increased, there is an attendant need for enhanced results-based monitoring and evaluation of policies, programs, and projects. An important part of this is measuring the role of social capital in CDD implementation and how CDD operations can impact social capital.

This section provides an overview of the two key measuring tools that have been developed — the Social Capital Assessment Tool (SOCAT) and the Social Capital Integrated Questionnaire (SC-IQ).

Five key dimensions have been identified as useful proxies for social capital – groups and networks, trust, collective action, social inclusion and information & communication.

By building an understanding of community-level dynamics, social capital measurement can inform strategies for designing, implementing and evaluating CDD programs.

Community Driven Development objectives include providing a process of empowerment to tackle issues such as inequity and exclusion through:

Effective targeting – By using a bottom-up approach that involves the active participation of communities, who are aware of their surrounding ground realities, CDD can effectively target the poorest and most vulnerable in society. This would go further than geographic targeting, which is common in other projects.

Putting resources in direct control of poor people – CDD projects usually promote direct transfer of resources to community groups. They are thus an effective means of direct redistribution of economic power and ensure that a large degree of development assistance goes directly to poor people.

Inclusion of vulnerable and excluded groups – To the extent that community-based organizations are genuinely representative and participatory, CDD allows the development process to be inclusive of, or actively target, vulnerable and excluded groups like women, disabled, low castes, and ethnic minorities.

Allowing poverty reduction measures to go to scale – As specific sub-project activities operate at a micro or local level, CDD operations can undergo ‘multiplicative’ scaling-up quite easily - i.e. several communities can simultaneously undergo sub-project activities without being constrained by a central bureaucracy. This allows poverty reduction activities to go to scale.”

Inclusion of social capital supports the key feature of the systems thinking approach; its emphasis on effectiveness thinking as opposed to efficiency thinking will be properly weighted. If the economic rationalists approach of efficiency over all else prevails, then society and community outcomes and effects will be largely ignored.

This view is represented in the table below where the economic rationalists will take the ‘command and control’ thinking position as opposed to the ‘systems thinking’ approach.

**Command-and-Control vs. Systems Thinking**

<table>
<thead>
<tr>
<th>Command-and-Control thinking</th>
<th>Systems Thinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top-down</td>
<td>Outside-in</td>
</tr>
<tr>
<td>Functional specialisation</td>
<td>Demand, value and flow</td>
</tr>
<tr>
<td>Separated from work</td>
<td>Integrated with work</td>
</tr>
<tr>
<td>Budget, targets, standards,</td>
<td>Designed against purpose,</td>
</tr>
<tr>
<td>Activity and productivity</td>
<td>demonstrate variation</td>
</tr>
<tr>
<td>Extrinsic</td>
<td>Intrinsic</td>
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<tr>
<td>Manage budgets and the</td>
<td>Act on the system</td>
</tr>
<tr>
<td>people</td>
<td></td>
</tr>
<tr>
<td>Contractual</td>
<td>What matters…?</td>
</tr>
<tr>
<td>Contractual</td>
<td>Partnering and co-operation</td>
</tr>
<tr>
<td>Change by project/initiative</td>
<td>Adaptive, integral</td>
</tr>
</tbody>
</table>

Source: Seddon 2005 (8)

It is reasonable to conclude that the majority of prior reviews into local government in this State have been made from a ‘top-down’ or imposed approach. There is little, if any, evidence available that suggests that this approach has been successful.

If a true systems thinking approach is to be used then measurement of social capital must be included and the impacts of any proposed changes considered in terms of positive and /or negative impacts on communities as part of any decision-making process.
Advancing Fiscal Responsibility

The challenges of CHANGE and FISCAL RESPONSIBILITY can be tacked with the use of better tools learning from others.

Council would also argue that any reform proposals for local government should be tested or modelled using the following tools to provide the necessary rigour to any evidence-based decision-making.

Benefits Realisation

Seven major steps have been identified in the Benefits Realisation process:

1. A high level identification of business benefits, both quantified and non-quantifiable, should be included as part of the strategic planning process.
2. Preparation of a tactical plan where you refine the benefits of each system in consultation with the users.
3. Developing a business case to support a proposed investment includes a comprehensive review to identify and value benefits and plan for realisation.
4. The project implementation must incorporate activities and benefits realisation control structures, which have been identified in the benefits realisation plan as being necessary for achievement of the identified benefits.
5. As many high value benefits will rely on changes to business process for their success it is necessary to integrate benefits realisation actions into change management procedures.
6. There should be an independent audit of compliance against benefits targets to ensure that the manager responsible for realising the benefits has followed through once the system is up and running.
7. A key follow-up action to system implementation is the fine adjustment required to ensure that the system continues to meet operational requirements. Corrective actions to ensure benefits are achieved should be an integral part of this process.

Once a project is approved to proceed, it is the responsibility of senior management to ensure that it is progressed successfully and that the expected benefits are delivered.
Planning for the realisation of benefits has to commence at the earliest stage of the project life cycle. This is because the benefits may rely upon the strategic changes to the way business processes are run.

**Economic appraisal**

Economic appraisal is more commonly known as Cost Benefit Analysis (CBA), or Cost Effective Analysis (CEA).

Economic appraisal is a systematic means of analysing all the costs and benefits of various ways in which a project objective can be met.

In essence, economic appraisal shows:

- Whether the benefits of a project exceed its costs;
- Which among a range of options to achieve an objective has the highest net benefit; or
- Which option is the most cost effective, where benefits are equivalent.

Economic appraisals assist decision-making among projects competing for limited funds and can assist Councils in determining the priority order of projects.

Clearly the results of an economic appraisal will not be the only factors taken into account when making a decision, but they provide important information on the effects of each possible decision.

**How does economic appraisal differ from financial appraisal?**

Economic appraisal differs from a financial appraisal in several respects. For example, economic appraisal considers a wider range of costs and benefits of a project.

Financial appraisal concentrates on effects on the department sponsoring the project, whereas economic appraisal also considers external benefits and costs for other departments, Councils, other levels of government, private sector enterprises and individuals.

A proposal put forward by one department may inflict costs (or confer benefits) on other departments, Councils, other levels of government, on private sector enterprises or on individuals. These external costs and benefits must be taken into account for Council projects through economic appraisal.

In addition, economic appraisals also:
• take into account costs and benefits which may not be reflected in monetary transactions (for example the value to the public of travel time savings from a new road), and

• assesses the real economic value of Council assets by adopting the "opportunity cost" principle (whether there is an alternative use which would yield a higher value).

An economic appraisal methodology is such that certain concepts contained in conventional financial analysis, e.g. depreciation, interest, inflation and sunk or historical costs are accounted for by different means, or are not relevant to the evaluation of project options.

While economic appraisal is required for capital works proposals, it does not remove the need or desirability for financial analysis, which will show cash flow demands on the Council’s finances, and the financial rate of return from the project from Council business unit or commercial activities.

Business units or commercial activities should also separately show economic appraisal results from the Council’s viewpoint, as well as from the overall community perspective, for comparative purposes.

**When should an economic appraisal be undertaken?**

Economic appraisals should be completed and submitted in advance of a department, business unit or commercial activity making their annual Budget submissions for the next financial year.

A Council’s strategic planning process (including Results and Services Plans) should identify future project requirements in broad terms to meet the Council’s overall objectives. The strategic planning process may be an iterative one, with the strategic plan varying following economic appraisal of individual planned projects and vice versa.

An economic appraisal should be undertaken at the earliest possible stage in project development, before any planning commitment, real or implied, is given to a particular option. Option development and evaluation should be central to the project planning process and especially for major projects may involve an iterative process. The preferred option may potentially change in response to improved information.

There are two main types of economic appraisal:

1. Cost Benefit Analysis (CBA) and
2. Cost Effectiveness Analysis (CEA).
Cost Benefit Analysis (CBA)

Cost benefit analysis (CBA) is the economic analysis tool employed to assess project proposals. The objective of CBA is to assist decision making that is consistent with ‘efficiency’ in the allocation of resources in areas where, for one reason or another, market forces do not achieve an appropriate outcome.

The power of CBA as an analytical tool rests in two main features:

1. Costs and benefits are each, as far as possible, expressed in monetary terms and hence are directly comparable with one another; and
2. Costs and benefits are valued in terms of the claims they make on and the gains they provide to the triple bottom line as a whole, so the perspective is a ‘global’ one rather than that of any particular individual, organisation or group.

CBA is the more comprehensive of these two techniques. It quantifies in money terms the major costs and benefits of project options. Thus the outcomes for a range of options are translated into comparable terms to facilitate evaluation and decision-making. The technique also makes explicit allowance for the many costs and benefits, which cannot be valued.

It can be applied to most public sector authorities:

- that cover costs with revenues (for example, Sydney Water)
- that do not fully cover costs with revenues but which produce traded outputs (for example, STA)
- where there are accepted methodologies for calculating major benefits (for example the RTA’s road appraisals quantify such benefits as cost savings to users-vehicle operating costs, travel time costs, accident costs, etc. as well as savings in road maintenance costs)
- to varying degrees for social infrastructure such as schools, hospitals and public housing.

Cost Effectiveness Analysis (CEA)

Where the main benefits of a project are not readily measurable in monetary terms (using either actual or proxy values) such as in certain areas of health, education, law and order or social welfare, it may not always be possible to apply CBA.

In areas where the main benefits of a project are not currently quantifiable, it may be desirable, depending on the significance of the project (e.g. size, whether it is a recurring type of project, or similar) and ease of data collection, to undertake specific research to arrive at agreed measures and improve analysis in such areas.

Where CBA is not currently feasible, the alternative approach in such cases is to use CEA to compare the costs of each option, assuming the benefits of each option are broadly similar.
Where the benefits of each option differ, CEA is less useful than CBA (where costs and benefits of different kinds of options are more readily comparable).

In both CBA and CEA all unquantifiable benefits and costs should be described. If measured costs exceed benefits in CBA or, if CEA is used to support a funding request for a project, normally it is claimed that the unquantifiable benefits exceed the project's costs. Assessment of the reasonableness of this claim should be attempted, using indirect measures.

For example, a proposal may have a Net Present Cost of $10m, which may equate to a cost of $1 per user over the life of the project.

It may be considered that this amount represents a reasonable estimate of the value customers would place on the project's (free) services. In effect, users might be "willing to pay" $1, but realistically would not pay say $100. This approach assesses the lower limit of the "band" of values users place on the benefits. Hence it may reasonably be assessed that the project's unquantifiable benefits would exceed its costs.

In certain cases, e.g. where the main beneficiaries of a publicly funded project may be a small number of private sector commercial enterprises, the distribution of benefits and costs among the public/private sector parties should be assessed to assist decision-making.

A guiding principle is that wherever feasible, CBA is preferable to CEA.

Benefits Realisation Guidelines, NSW Government Department of Finance, 2011 (10)
Benefits Realisation Management, Australian Government Department of Finance, 2012 (11)
Audit-Commission.co.uk (12)
Project Management Informed Solutions, www.pmis.co.uk (13)
Pricing Policy

There is little point in addressing financial analysis and cost benefit analysis if the pricing component of any plan is not examined.

PRICING POLICY OBJECTIVES

It is reasonable to argue that, where a service generates private benefits, recovery of costs is warranted and desirable.

Local Government has been the historical provider of services provided at a subsidised price for a long time. In determining whether this subsidy by Council should be reduced and therefore fees increased, it is necessary to look at the importance of the service to the community and community service obligations (CSO’s).

The identification of community service obligations (CSO’s), where there are clear social equity objectives to recovering full costs, will require the consideration of criteria to determine which services or users deserve such treatment. Such criteria may include:

- Are social or community objectives achieved/assisted by the service;
- Are community or social values promoted by wider availability of the service;
- Are direct consumers unable to purchase a socially desirable level of service;
- Are direct beneficiaries of the service deserving of favourable pricing?

Council’s have traditionally raised charges for property, halls, parks, and playing fields at partial cost pricing. This means that services are provided at a price that recovers less than the cost incurred in the service delivery. In effect, Council subsidises the service.

This means that the cost recovery rate, or the level of subsidisation of the service, has not been identified.

The need for a rational and transparent local government pricing mechanism is a must for setting prices and identified several reasons why a more soundly based pricing policy was desirable, namely:

1. Existing arrangements and a traditional reliance upon general taxation conceals subsidies, many of which may be questionable on equity grounds;
2. Artificially set prices may both distort efficient allocation of resources and frustrate consumer priorities/choices;
3. Local government can no longer maintain or provide services in the absence of improved cost recovery; and
4. Current pricing practices reflect elements of imitation, guesswork, automatic annual indexations or statutory prescriptions.
Councils are faced with increases in annual costs, such as labour; however, rate levels are pegged below these annual increases so it is becoming extremely difficult for Councils to provide the services it has as before.

Council’s have had a simple and straightforward system of charging for property, halls and park hire. Council’s simply raise fees incrementally every year linking these increases to CPI adjustments.

However, it is suspected that Council’s may have no pricing policy in place to justify the adjustments that occurred.

It is necessary to develop pricing policy objectives to allow a framework for developing a pricing policy and revised fees and charges schedule. The following objectives have been identified as essential:

1. To ensure efficient and effective use of facilities by and for the community;
2. To recover some return on a community asset;
3. To promote community and school participation in sport and leisure activities;
4. To ensure that all people in the community have the opportunity to access facilities;
5. To encourage the community to recognise the true cost of providing facilities and services;
6. To encourage understanding in the community that fees and charges are part of Council’s Management Plan and to contribute to the maintenance and upgrading of facilities and fields;
7. To deal with conflict that may rise from multi-purpose use of facilities.
Delivering Better Infrastructure and Services

Who is really responsible for infrastructure and what are they responsible for?

It could be argued that there are a number of levels of responsibility for infrastructure and that there needs to be a discussion and resolution of this question.

Infrastructure responsibility could look like this:

1. Federal (where there is joint responsibility with the State e.g. National Highways
2. State (where there joint responsibility with the Federal Government)
3. Regional (where there joint responsibility between State and Federal and Local Government)
4. Local (where it could be argued that local government is carrying State Government responsibilities e.g. roads, bridges, sewerage, water and drainage)

Currently an infrastructure audit is being undertaken for the Division of Local Government for all Councils and this audit may also assist in determining responsibility.

There also need to be a serious discussion on asset valuations and depreciation.

Council financial ratios and sustainability indexes are being unreasonably impacted by asset valuations for roads, bridges and drains in particular and very few, if any, Council can fully fund its depreciation.

In real terms it is arguable that this is necessary, because the likelihood of a council having to replace for example its whole road network at the one time is very low, although the risk may vary according to certain locations or factors such as topography, stability etc.

Council submits that the Division of Local Government, Local Government Auditors and Local Government Finance Professionals should at the earliest opportunity discuss these matters and consider reviewing and standardising valuation methodologies(particularly for land under roads which clearly even as an asset cannot be sold) and provision of accounting/valuation guidelines.
Matching Structure and Boundaries

A recent communique from the Panel has requested that Mayors and Councillors consider the following:

Factors informing the Panel’s assessment of local government boundaries
(Box 6 page 29 criteria)

While the panel has suggested a series of factors that may inform an assessment of boundaries they are very subjective and no reasoning has been provided as to why these factors have been selected and what if any weighting may be applied.

Population Growth
The boundaries of a local government area (LGA) should be able to accommodate projected population growth generated by the LGA over at least the next 25 years.

WHY? All Councils are different and there are significant differences between metropolitan and rural/regional Councils. There are many thousands of Councils world-wide and this does not apply and has not been identified as an issue.

Accessibility
As a general rule, it should be possible to drive to the boundaries of a LGA from a main administration centre within 60-90 minutes in country areas, and within less than 2 hours in country areas, and within 30 to 45 minutes in metropolitan areas.

WHY? See comment above.

Communities of Interest
There is still no definitive approach to the concept of ‘communities of interest’, which can vary widely in their focus and extent. Some are strongly place-based, others are not, especially in metropolitan areas.

Council does not agree with this statement and discusses the reasons in this response at Systems Thinking.

Local Identity and Sense of Place
Boundaries should reflect a sense of identity and place, including important historical and traditional values, and the extent of other social and economic interdependencies. However, incorporating communities into larger LGAs does not necessarily destroy local identity and sense of community.

There is no evidence that supports this statement. Understanding and measuring social capacity is more likely to provide an evidence-based answer.

Strategic Capacity
Councils need a strong base to achieve economies of scale and scope; to deliver quality services; to provide a pool of talented councillor candidates; to attract skilled staff; and to develop strategic capacity in leadership, governance, advocacy, planning, and management.
A strong base does not mean a bigger base. There is no evidence to suggest that larger Councils attract more talented Councillors, more skilled staff or that they are any better at capacity building.

**Efficiency and Effectiveness**
Councils should be able to operate efficiently and effectively within the limits imposed by their location, geography and the characteristics of the communities they serve. They should be able to provide ‘value for money’ to their ratepayers and external funding agencies.

Measuring performance and outcomes continues to be a weakness in local government, as is the failure to undertake thorough cost benefit or benefits realization tests on major projects or new initiatives.

See discussion under advancing fiscal responsibility.

**Strong Centres**
Each LGA should have a population centre that provides higher order commercial, administrative, education, health and other services.

WHY? See comments for population and accessibility above.

**Infrastructure Assets**
As far as possible, key transport infrastructure such as airports and ports, and those nearby urban and regional centres that are principal destination points, should be within the same LGA; boundaries should also facilitate provision of local infrastructure such as water supply, sewerage, drainage and open space.

WHY? See comments for population and accessibility above.

**Removing Disruptive Boundaries**
Some existing LGA boundaries are divisive and obstruct good governance. They impede integrated planning, strategic infrastructure development, efficient service delivery, and regional economic growth.

This may be acceptable but any decision needs to be evidence-based and follow a proper and serious period of community consultation.

**Combining Existing Municipalities**
Wherever practicable, amalgamations should combine the whole of two or more existing LGAs without the additional cost and disruption of associated boundary adjustments.

Any changes must be evidence based and should be a clear outcome of any review process, clear cost/benefit analysis and a proper and serious period of community consultation.
Evidence Based Decision-making

The Independent Review Panel states that its conclusions and recommendations will be evidence based. The following information is clear proof that this Council has consistently produced evidence of its ability to meet challenges and produce reforms despite perceptions about our size.

Earlier this year Council was successful in obtaining approval for a Special Rate Variation and the following extract from the IPART determination instrument significantly supports this Council's achievements.

“3.5 Criterion 5 - Productivity impacts and cost containment strategies

Councils seeking special variations must demonstrate that they have implemented a program of productivity or efficiency improvements and cost containment strategies to ease expenditure pressures before considering an increase in rates. In particular, they need to provide details of the productivity improvements, efficiencies and cost containment strategies that they have implemented over the past 2 or more years, and details of those that they propose to realise over the period of the special variation.

In its application, HHC indicated that it has achieved productivity savings in the past and has plans in place to do so in the future. Past productivity savings were achieved through:

- **The introduction of ‘smart forms’** (2007/08), which enabled it to use a range of standard forms in its procedures and delivered benefits of $10.50 for every dollar invested. For example, these benefits came from the streamlining of processes, more rapid processing times and less rework through fewer errors.

- **New contract arrangements** (2007), which produced annual savings in photocopying of over $7,000.

- **Changes in its fleet vehicles** (2011), particularly the general replacement of tip trucks with Toyota Hilux utilities, which reduced running costs and depreciation (due to lower capital costs), and increased labour force flexibility through drivers no longer requiring a truck or heavy vehicle licence.

- **Improvements in energy efficiency plan implementation** (2011), which resulted in savings of over $16,000 annually in energy costs and reductions of approximately 100 tonnes in greenhouse gas emissions per year.

- **Improvements in information technology**, including:
  - the introduction of on-line DA tracking (2007) with cumulative savings of almost $50,000
  - improved processing within the payroll system (2007) with cumulative savings of over $8,000
  - a wireless ISP link (2010) that has provided cumulative savings of almost $5,500, and
  - VOIP (voice over internet protocol) for council’s telephone system with estimated annual savings of $26,000.

Future productivity savings are expected to be achieved through:

- **new contract plans** (2012-2013) for mobile telephones with estimated cost savings of up to $6,000 per year
- **electronic document management** system (2012-2013), providing additional on-line forms
Microsoft Office 2010 desktop platform (2012-2013) for day-to-day work functions resulting in a reduction in email storage costs

online payments (2012-2013) to allow ratepayers and customers the opportunity to lodge applications and make payments online

revised works staff operating procedures (2012-2013) including establishing performance measures and benchmarks for each work area and the equipment utilised by these areas, and

improved library services (at Gladesville) through an arrangement with Ryde Council (which is contracted to deliver the service) so as to achieve:

- reduced expenses for HHC
- enhanced service levels
- ‘refreshed’ facilities, and
- HHC taking more ownership for the management, services and events provided through the library.

As part of our assessment, we examined comparative data on productivity from the DLG for 2010/11...

These data favourably indicated that in addition to HHC having a lower number of staff for its population (relative to other DLG Group 2 councils); it also had lower average employee costs.

The council’s employee costs also constitute a lower percentage of the council’s expenditure. However, possibly reflecting in-house resource gaps, its expenditure on contractors were a greater proportion of the council’s expenditures than the average for Group 2 and NSW.

Other data from the DLG also supports the view that HHC does not have, in relative terms, a high level of expenditure. For example, it’s spending on services (as distinct from capital works):

- per annum account for 70% of its annual expenditure, which is lower than the average for DLG Group 2 councils (76%)
- per assessment ($1,899) is 24% lower than the average for DLG Group 2 ($2,487)
- per capita ($636) is 38% lower than the average for DLG Group 2 ($1,018)

Overall, we assessed that HHC’s application demonstrated that the council has achieved productivity gains and cost savings in the past 2 or more years. A significant portion of these improvements have the potential to produce further resource savings in the future.”

IPART Determination - Hunter’s Hill Councils application for a special variation 2012/13 - 4 June 2012 - Criterion 5 page 47

Further evidence is contained in the attached appendices.

Appendix A to this report demonstrates the impact of Councils rating strategy compared to other neighbouring Councils and puts to rest the myth about ‘who has the highest rates?’.

Appendix B is the latest survey produced by The Local Government & Shires Association that demonstrates the continuing increasing rate of cost shifting from the State Government to local government. This is available at the following link:

Securing Good Governance

Larger Councils with larger populations will find it more difficult and will need significantly more resources and appropriate systems to meet good governance standards.

A Regional Approach

The current discussion paper suggests that an alternative process could be undertaken on a regional basis if true and meaningful positive outcomes are to be achieved.

Over the past ten years efficiency gains and economies of scale have been actively pursued on a regional basis within the Northern Sydney Regional Organization of Councils (NSROC), with a significant degree of success, as demonstrated with a number of regional submissions on planning and transport and viable joint purchasing agreements. More recently a decision has been made to consider a tender for the regional disposal of waste.

The Division of Local Government, Local Government Association and LGMA in Destination 2036, suggest that a partnership approach is more likely to produce the best longer-term and effective sustainability outcomes.

NSROC has proven to be an appropriate forum for pressing significant local government reform issues and it is submitted that this latest reform proposal is one most appropriately considered on a regional basis.

The NSROC submission to the Independent Local Government Panel in September last year stated the following:

“Council Boundaries and Consistency in Regions

The structure and size of councils in NSW is continually debated and often the main focus of the reform debate. However these matters should be a secondary consideration and a consequence of the re-definition of contemporary roles and responsibilities for local government. Once these top level issues of purpose and function have been determined, then council structures should be reviewed in conjunction with consideration of regional approaches or boundary adjustments.

Where council boundary adjustments are considered, it must be demonstrated that this will lead to benefits. Ideally the structure and size of councils should be assessed against the criteria of whether the council can:

- Provide high quality service effectively
- Deliver services locally and accessibly
- Give good value for money
- Reflect public preferences and respond to local needs
- Respect communities of interest and enhance local democratic representation
- Provide clear accountability
- Facilitate joint action with other partners
- Demonstrate financial viability

In effect, **a business case for structural reform needs to be developed by councils and their critics** that demonstrate that these qualities will be enhanced through a new council structure and size.

There are significant issues with reconciling boundary changes with arrangements imposed by other levels of government. For boundary adjustment consideration must also be given to:

- Alignment congruent to state and commonwealth ‘regional’ zoning;
- Alignment to ‘communities of interest’ capturing a major centre;
- Alignment to geography and environment such as natural catchments; or
- Alignment to scale reflecting an optimal service delivery capacity.

Unfortunately few of these existing state and federal boundaries or clusters are consistent - including those defined by a common level of government. For example in NSW, the Department of Planning’s planning regions do not consistently overlay with the regions of the Departments of Industry or Transport and are certainly not congruent with natural catchment area boundaries.

To avoid contradictions in structural and vertical integration across government, state government clusters may need to be changed concurrently with local government boundaries to ensure that synergies and efficiencies are actually achieved. Better alignment would enable role clarity and for assessment, relationships and funding to be developed to deliver shared goals which reflect a region or council area’s overarching priorities.

The NSROC Submission also identifies other issues which should be the priority concerns for local government reform. These include:

- Financial capacity – we need a better system to fund our responsibilities than current rates system
- Service delivery flexibility- including shared services and projects through ROCs where appropriate
- Improved governance and leadership- need clearer connection between state and local goals
- Transparency of roles of state and local government – to avoid duplication and cost shifting.”

These and other views are supported by the report released on Thursday 6 December by the Independent Review Panel entitled **Options to Enhance Regional Collaboration amongst Councils in NSW: the role of ROC’s.**

The report concludes that two models of regional collaboration could be considered but that:

“…both models have the common aims of enhancing engagement by groups of councils in regional capacity activities and increasing their role in developing new shared services arrangements, they also share a number of strategies such as amending the NSW Local Government Act to:
• Provide stronger recognition of regional structures, regional activities and shared services;
• Facilitate the ability of a council to delegate to a regional body any activity it wishes;
• Allow regional bodies to establish regional tendering arrangements;
• Define a range of incorporation models both for regional organisations and for shared services initiatives. These are based on the discussion of alternative structures in the previous section; and
• Require councils to report on their participation in regional and shared services initiatives, including the roles played by Mayors and General Managers.

The models would also require additional mechanisms to:
• Encourage greater engagement by Mayors and General Managers in regional issues;
• Separate broad priority setting and regional capacity activities such as advocacy and lobbying from the implementation and management of shared services;
• Encourage the formation where appropriate of separate entities to manage shared services activities; and
• Promote greater collaboration between state and local government through regional organisations and planning and coordination arrangements. “
A Compact for Improvement

Is it about change OR improvement – these terms are not mutually exclusive – are they?

Will real reform occur, or will we be distracted by ‘amalgamations’ as opposed to ‘structural reform’.

Is this review impinging on or assisting the fundamental reforms identified in D2036?

It could be argued that while the D2036 leadership originally set the right course for improvement in Dubbo, imposition of the Local Government Review, which was never intended but propositioned by the LGSA (without consultation with its member Councils) may well divert the course.

Local Government Leadership

The whole aim of Destination 2036 was to allow local government itself to take the leadership role in determining its future given the many significant changes that will occur in society and our communities over the next 25 years.

Over the past four decades, there have been numerous efforts to effect change in local government throughout Australia. These efforts have gone under many banners - total quality management, business process reengineering, amalgamations, restructuring and cultural change to name a few. But, in almost every case, the basic goal has been the same - to make fundamental changes in how business is conducted in order to help cope with a new, more challenging environment.

The general lesson to be learned from the more successful cases is that the change process goes through a series of phases that, in total, usually require a considerable length of time. Skipping steps creates only the illusion of speed and may produce perverse outcomes.

A second very general lesson is that critical mistakes in any phase can have a devastating impact, slowing momentum and negating hard-won gains. Perhaps because in reality we have relatively little experience in renewing our organisations (councils), even very capable people often make at least one big error.

Another lesson from these experiences is that successful change is not only about what you change but how you change it.

The sector can lead or implement change. Leading strategy differs from managing operations. Management plays an essential part in making the changes happen; it empowers the ‘doing’. Leadership inspires the transition; it is what energises people and sustains a change in behaviour and approach.
“Management is efficiency in climbing the ladder of success, leadership determines whether the ladder is leaning against the right wall.” Stephen Covey.

Change leaders must also build public and community confidence in, and understanding of the value of councils. Public and community support not only assists in transition but enhances outcomes. There is little value in an improved Council regime if the public or local community has no knowledge of it and doesn’t use it.

We must be proactive and create a climate for improvement that is positive and publically visible.
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"IMPLEMENTING THESE CHANGES WON'T BE EASY. WE'RE PRETTY SET IN DOING THINGS THE WRONG WAY."

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Is this how we think about reform or change?
Structure follows Strategy

There are a number of well-known writers on management theory who will suggest that ‘structure follows strategy’.

Observations in this discussion paper about the factors informing the assessment of boundaries, if compared to such pre-eminent writers as Peter Drucker, Michael Porter and John Kotter, are premature.

Councils as organisations are not mechanised, they are not assemblers nor are they manufacturers. They are the deliverers of services that are unique to each Council and its community.

It is therefore agreed that a ‘one size/one structure’ does not fit all.

It should be accepted that structure is a means for attaining the goals and objectives of an organisation, in this case a Council. If this is the case and structure is to be sound and effective it must surely start with objectives and strategy.

Some of the worst mistakes in organisation building have been made by imposing ‘models’ of an ideal Council.

There is ample evidence that the ‘imposed model’ of local governance in the Victorian amalgamation process was not as successful as anticipated and revised structures were developed following the first round of Council elections, post the amalgamations, to better reflect community needs.

What would be more relevant for discussion is how local government currently operates and how this could be improved?

Hierarchical organizational structure is common in Councils, both large and small. Department heads or business unit managers, report to General Managers, who report to the Mayor. Smaller Councils usually have fewer management layers than large Councils.

Although the hierarchical structure can coordinate the actions of thousands of employees, it has certain weaknesses and three of these are often the largest source of complaint about local government.

1. **Inflexibility**
   Hierarchical structures are often inflexible.

2. **Slow Decision-making**
   Decision-making is usually slower in hierarchical structures because responsibility and authority are concentrated in a few people at the top.

3. **Resistance to Creativity**
   Hierarchical systems can stifle creativity and innovation. The top-down decision-making structure means that departments, or business units, are often unable to respond rapidly to change.
The discussion paper does not review these three fundamental and well documented concerns in terms of strategy. Removing ‘disruptive boundaries’ or ‘combing existing municipalities’ does not address these concerns, nor does it provide the scope for discussion on what type of structure(s) is needed to deliver objectives and strategies.

It could be argued that creating larger Councils will in fact exacerbate these concerns. They could be:

- more inflexible
- slower in decision-making
- more resistant to change

Until such time as it has been agreed on what the roles and responsibilities of future local governments will be it seems a discussion on structure is as previously stated – premature.
Conclusion

There is concern that the continuing speculation about amalgamations and boundary changes is diverting Council resources from core business activities, creating unnecessary angst among local communities and Council staff.

In looking at options the review should also consider to what extent the following goals and expectations could be achieved:

- Better planning of land, infrastructure and resources
- How to best achieve the sustainability principles of a strong economy, strong communities, and a healthy environment
- Maintaining accessible, effective, accountable representation, taking into consideration population and community identity
- A review of the local government revenue base that allows the delivery of high quality services at the lowest possible cost, preserves volunteerism, and promotes job creation, investment and economic growth
- Better, more efficient service delivery while maintaining ratepayer and resident accessibility
- Simplifying and streamlining government, reducing duplication and overlap, and reducing barriers and red tape for business
- Clear lines of responsibility and better accountability at the local, state and federal level by reducing duplication and overlap
- Consideration of outcomes or recommendations from the Federal Government Cost Shifting Inquiry (Hawker Report) and any subsequent federal initiatives from COAG.

The analysis of options and recommendations should be based on the principles outlined elsewhere in this analysis including the sustainability principles of a strong economy, strong communities, and a healthy environment. The report should also consider other issues such as service delivery, communities of the future, history, heritage, geography, and economies of scale.

At a minimum any final report should be strongly evidence based and address the following:

- Short term options and long term recommendations
- Financial and Cost-Benefit Analysis of options, proposals or recommendations
• Methods of improving service access, service delivery and efficiency (e.g. continuous improvement or best value principles)

• An analysis of the heritage and social impact of any proposals on local communities

• Legislative changes and amendments required (as necessary)

In the ongoing reform discussion it is vital that all Council’s provide information and encourage their communities to participate and respond to any discussion papers, or communiques, put out by the Independent Review Panel and Local Government Act Review Task Force.
BIBLIOGRAPHY


2. Working Paper Series April 2010 Local Government Amalgamation in New South Wales Ian Tiley and Brian Dollery Centre for Local Government, UNE.


5. Social Capital Research Website June 2004


12. Audit-Commission.co.uk

13. Project Management Informed Solutions, www.pmis.co.uk

## APPENDIX A: De-mythifying the comparative rate analysis

### Land Values: Distributional Table

<table>
<thead>
<tr>
<th>Land Value</th>
<th>Number of Properties</th>
<th>% of Total Properties</th>
<th>% Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $99,999</td>
<td>136</td>
<td>2.97%</td>
<td>2.97%</td>
</tr>
<tr>
<td>$100,000 - $199,999</td>
<td>519</td>
<td>11.33%</td>
<td>14.30%</td>
</tr>
<tr>
<td>$200,000 - $299,000</td>
<td>333</td>
<td>7.27%</td>
<td>21.58%</td>
</tr>
<tr>
<td>$300,000 - $399,000</td>
<td>212</td>
<td>4.63%</td>
<td>26.21%</td>
</tr>
<tr>
<td>$400,000 - $499,000</td>
<td>181</td>
<td>3.95%</td>
<td>30.16%</td>
</tr>
<tr>
<td>$500,000 - $599,000</td>
<td>249</td>
<td>5.44%</td>
<td>35.60%</td>
</tr>
<tr>
<td>$600,000 - $699,000</td>
<td>485</td>
<td>10.59%</td>
<td>46.19%</td>
</tr>
<tr>
<td>$700,000 - $799,000</td>
<td>382</td>
<td>8.34%</td>
<td>54.53%</td>
</tr>
<tr>
<td>$800,000 - $899,000</td>
<td>430</td>
<td>9.39%</td>
<td>63.92%</td>
</tr>
<tr>
<td>$900,000 - $999,000</td>
<td>240</td>
<td>5.24%</td>
<td>69.16%</td>
</tr>
<tr>
<td>$1,000,000 - $1,099,000</td>
<td>159</td>
<td>3.47%</td>
<td>72.64%</td>
</tr>
<tr>
<td>$1,100,000 - $1,149,000</td>
<td>68</td>
<td>1.49%</td>
<td>74.12%</td>
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<tr>
<td>$1,150,000 - $1,249,000</td>
<td>134</td>
<td>2.93%</td>
<td>77.05%</td>
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<tr>
<td>$1,250,000 - $1,499,000</td>
<td>217</td>
<td>4.74%</td>
<td>81.79%</td>
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<tr>
<td>$1,500,000 - $1,749,000</td>
<td>227</td>
<td>4.96%</td>
<td>86.74%</td>
</tr>
<tr>
<td>$1,750,000 - $1,999,999</td>
<td>141</td>
<td>3.08%</td>
<td>89.82%</td>
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<tr>
<td>$2,000,000 - $2,499,000</td>
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<td>96.22%</td>
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<td>98</td>
<td>2.14%</td>
<td>98.36%</td>
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<td>$3,750,000+</td>
<td>75</td>
<td>1.64%</td>
<td>100.00%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>4579</strong></td>
<td><strong>100.00%</strong></td>
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### Land Value: Descriptive Statistics

<table>
<thead>
<tr>
<th>Average</th>
<th>Median</th>
<th>Standard Deviation</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>$956,560</td>
<td>$734,000</td>
<td>$912,121</td>
<td>$19,600</td>
<td>$13,800,000</td>
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### Residential Rates: Descriptive Statistics

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<th>Average</th>
<th>Median</th>
<th>Standard Deviation</th>
<th>Min</th>
<th>Max</th>
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</thead>
<tbody>
<tr>
<td>$1,605</td>
<td>$1,215</td>
<td>$1,340</td>
<td>$557</td>
<td>$17,756</td>
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<table>
<thead>
<tr>
<th>% of Properties</th>
<th>Land Value</th>
<th>% of Total Land Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>$4,391,567,712</td>
<td>100%</td>
</tr>
<tr>
<td>70%</td>
<td>$1,689,054,012</td>
<td>38%</td>
</tr>
<tr>
<td>30%</td>
<td>$2,702,513,700</td>
<td>62%</td>
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</tbody>
</table>

*30% of residential properties contribute to 62% of total land value

*70% of residential properties contribute 38% of total land value

<table>
<thead>
<tr>
<th>% of Properties</th>
<th>Rate</th>
<th>% of Total Land Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>$7,366,895</td>
<td>100%</td>
</tr>
<tr>
<td>70%</td>
<td>$3,105,737</td>
<td>42%</td>
</tr>
<tr>
<td>30%</td>
<td>$4,261,159</td>
<td>58%</td>
</tr>
</tbody>
</table>

*70% of residential properties contribute to 42% of total rates

*30% of residential properties contribute to 58% of total rates
Comparison with others (based on 2012/13 rates)

| Land Value | $734,000 |

<table>
<thead>
<tr>
<th></th>
<th>Hunter's Hill</th>
<th>Ryde</th>
<th>Lane Cove</th>
<th>Canada Bay</th>
<th>Parramatta</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$1,031.63</td>
<td>$983.24</td>
<td>$1,306.80</td>
<td>$1,217.49</td>
<td>$1,456.58</td>
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<td>Special LL2</td>
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<td>$212.41</td>
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<td>$25.00</td>
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<td>Special Enviro</td>
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<td></td>
<td></td>
<td>$86.03</td>
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<td>Special CFAI</td>
<td>$52.94</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Special Roads</td>
<td>$57.47</td>
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<td></td>
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<tr>
<td>Total Rate</td>
<td>$1,215.13</td>
<td>$1,220.65</td>
<td>$1,306.80</td>
<td>$1,242.49</td>
<td>$1,587.09</td>
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<tr>
<td>Difference ($)</td>
<td>-</td>
<td>$5.52</td>
<td></td>
<td>$91.67</td>
<td>$371.96</td>
</tr>
</tbody>
</table>

**Question:** Which is the Council with the lowest Rates?

**Answer:** Hunters Hill!!!
Appendix B: LGSA Cost Shifting Inquiry