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**PROPOSED MERGER OF  
HURSTVILLE CITY AND KOGARAH CITY COUNCILS**

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



**APRIL 2016**

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Local Government Boundaries Commission  
GPO Box 5341  
Sydney NSW 2001

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

Dear Minister

**Proposed merger of Hurstville City and Kogarah City councils**

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

Yours sincerely

A handwritten signature in black ink that reads 'Bol Sendt'.

RJ Sendt  
Chairperson  
26 April 2016

## 1. Summary of Local Government Boundaries Commission comments

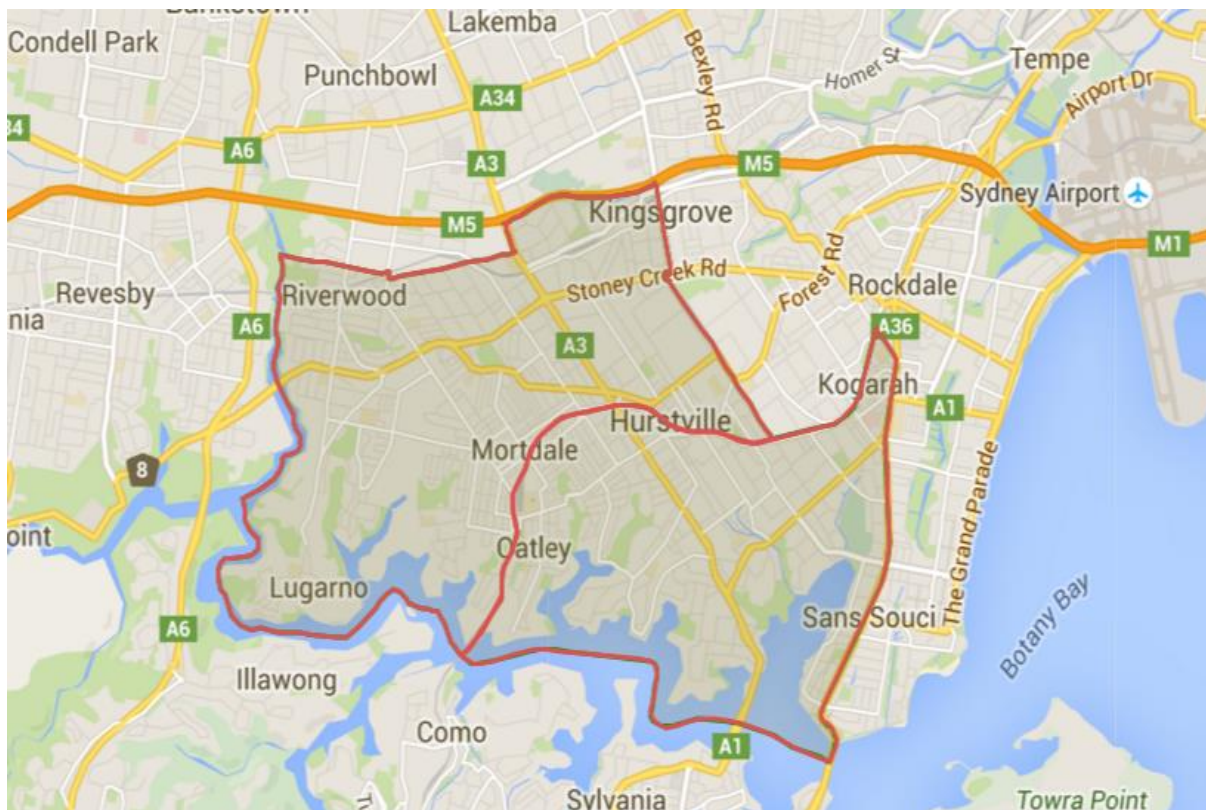
The Boundaries Commission has reviewed the Delegate's Report on the proposed merger of Hurstville City Council and Kogarah City Council to determine whether it shows the legislative process has been followed and the Delegate has taken into account all the factors required under the *Local Government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

The Commission has assessed that:

- the Delegate's Report shows that the Delegate has undertaken all the processes required by section 263 of the Act,
- the Delegate's Report shows that the Delegate has adequately considered all the factors required by section 263(3) of the Act, with the exception of the factors listed under subsections 263(3)(a) (finance), 263(3)(b) (communities of interest) and 263(3)(e1) (service delivery and facilities)
- the Delegate's recommendation in relation to the proposed merger is supported by the Delegate's assessment of the factors.

## 2. Summary of the merger proposal

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



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

Council	2016	2031
Hurstville City	87,200	104,950
Kogarah City	62,450	76,350
Merged entity	149,650	181,300

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

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

### 3. Role of the Local Government Boundaries Commission

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

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

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

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

### 4. Delegate's recommendations

The Delegate's key recommendation is that the proposal warrants proceeding to implementation.

The Delegate made the following other recommendations:

- *That the Minister and the Boundaries Commission should note this report's findings and the issues identified for further investigation,*
- *That if the proposal proceeds, the new LGA should be served by 11 Councillors,*
- *That if the proposal proceeds, the new LGA should not have a ward system,*
- *That if the proposal proceeds, the Mayor of the new merged entity should be elected by the Councillors,*
- *That if the proposal proceeds, the proposed new LGA should be named St George Council,*

- *That the Minister should give consideration in due course to a minor boundary adjustment around the Narwee Town Centre through the established processes,*
- *That if the proposal proceeds, the new Council give consideration to the establishment of an Independent Hearing and Assessment Panel under the new merged entity,*
- *That if the proposal proceeds, the new Council should give careful consideration to arrangements to harmonise rates and their related structures and processes over time, with advice and support from the Office of Local Government and/or the Independent Pricing and Regulatory Tribunal.*

## 5. The Commission's detailed comments

### 5.1 Review of the process followed by the Delegate

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

In total the Delegate considered 167 written and verbal submissions from the public, community and other organisations and councils.

The Delegate held two public inquiries on 3 February 2016 at Club Central Hurstville.

***The Commission's view is that the Delegate has met the relevant requirements.***

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

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

***Overall, the Commission's view is that the Report shows that the Delegate adequately considered all the factors, with the exception of finance, communities of interest, and service delivery and facilities.***

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

The Commission makes the following comments relating to each factor:

### 5.2.1 Financial factors

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

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

It was noted that both Hurstville and Kogarah City Councils were found to be financially ‘Fit for the Future’ by IPART in 2015. However, IPART determined that each Council would have limited scale and capacity to “effectively deliver on behalf of residents and meet future community needs and expectations”. The Delegate also noted the 2013 TCorp financial assessments showing that Hurstville City was financially sound, whereas Kogarah was only moderately sustainable.

The Delegate noted the KPMG modelling that estimated that the merger is expected to lead to more than \$43 million in net financial savings over 20 years. He noted that the Councils’ submissions did not strongly contest the KPMG modelling, while noting that Kogarah City Council stated that the amalgamation and redundancy cost assumptions in the merger proposal document appeared too low. The view of the Delegate was that careful management by the proposed new Council would mitigate this risk considerably.

The Report noted that Hurstville Council referred to its own analysis carried out by SGS Economics showing that the merger would generate an estimated financial benefit of approximately \$12 million over 10 years. The Delegate stated that this was contrary to Kogarah City Council’s submission which indicated that, based on its own independent financial analysis, it could operate at a higher level than a merged Kogarah/Hurstville City Council.

Regarding the modelling in council submissions, the Delegate stated that:

- there may be differences between time periods and the methodological approaches taken in the various analyses carried out by KPMG, SGS Economics, and Kogarah City Council’s unnamed analysts,
- all analysis points to some financial efficiencies and/or beneficial economies achievable in either one or both of the Councils, and
- both the SGS and KPMG reports indicate positive financial benefits from merging the two Councils, with KPMG suggesting a much larger quantum of benefits.

The Delegate noted Kogarah’s submission that the rating systems used by the two councils are very different and would “take many years to align”, with Kogarah residents negatively impacted. The Delegate noted that rates are an important source of income for any council, and that the merger proposal suggested the financial benefits indicated in the KPMG report may enable the new Council to reduce the need for rate increases into the future.

The Delegate concluded that overall the creation of the proposed new council has the potential to bring about a number of significant financial and economic benefits, including establishing a more viable and robust entity that will have the capacity and opportunity to deliver improved management, infrastructure, and services across a range of critical local government functions. The Delegate also considered that this factor is not an impediment to the merger proposal proceeding.

***The Commission's view is that the Delegate did not adequately consider the issues under this factor.***

### **5.2.2 Communities of interest**

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

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

The Delegate noted that both LGAs “share many similarities and are significantly alike in their demographic and geographic profiles” and included a table demonstrating these similarities. The Delegate stated that the table and the similar SEIFA scores reflect “... the commonality of characteristics across the Hurstville and Kogarah communities in relation to key elements such as household income, education, employment and occupation”.

It was noted that Kogarah City Council submitted that communities of interest will be diminished without the inclusion of the Rockdale local government area. However, the Delegate stated that Kogarah still has “... a shared identity with Hurstville that is unquestionable”.

The Delegate concluded that the community and geographic characteristics of these two local government areas are strongly similar and aligned, and that this is acknowledged by both Councils. The Delegate then stated that he considered the proposal clearly met the requirements of this factor.

***The Commission's view is that the Delegate did not adequately consider the issues under this factor.***

### **5.2.3 Historical and traditional values**

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

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

The Report provided an overview of the history of the two council areas, with the Delegate also acknowledging Kogarah Council’s view that Rockdale LGA was part of this shared history. The Delegate stated that Kogarah City Council’s view about Rockdale does not detract from the fact that Kogarah and Hurstville have a significantly similar historic, geographic and cultural background.

The Delegate concluded that each Council’s “history is strongly supported by the amalgamation proposal”.

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

#### **5.2.4 Attitudes of residents and ratepayers**

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

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

The Delegate noted that 114 written submissions were against the proposal with 27 written submissions in favour of the proposal. He stated that:

- by comparison to the total number of residents in each of the local government areas, the number of attendees and speakers at the public inquiry sessions was small,
- both the Public Inquiry sessions, held at different times of the day and evening, at Hurstville Club Central had very few speakers, and
- the number of submissions received was small compared to the total population of the local government areas.

The Delegate concluded that there was a high level of indifference from residents and business owners, if not support, for the amalgamation proposal. He also concluded that the factor is not considered to be an obstacle to the proposed merger.

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

#### **5.2.5 Elected representation**

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

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

The Report noted that Kogarah City submitted its preference for 11 councillors under any new council, whereas Hurstville City preferred either twelve or fifteen. The Delegate considered the arguments in support of an odd number of Councillors as persuasive. He also considered factors such as population, community diversity, workloads, and geographic span to determine an appropriate number of elected representatives. The Delegate noted all the views put forward and recommended eleven councillors, including the Mayor.

The Delegate noted that this recommendation would lead to a ratio of 13,356 residents to each councillor. He also noted this number is less than some existing councils across the wider metropolitan area such as Blacktown City Council and Wollongong City Council that have resident to Councillor numbers of 21,676 and 15,907 respectively.

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



### 5.2.6 Service delivery and facilities

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

*“the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities”.*

The Delegate noted that through the use of surveys both councils “can lay claim to some quite high levels of resident satisfaction” and that both councils, through submissions or other published information, appear to have continued to evolve and adjust their service offerings to meet the changing needs of residents.

The Delegate also highlighted innovative approaches each council uses to provide services such as Hurstville City’s Customer Service After-Hours service. The Delegate concluded that:

- although there appears to be some differences in the service offerings and arrangements across the two current Councils, there is not a great disparity between them,
- if this proposal is to be implemented, aligning and harmonising services between the current two councils should not present any unreasonable nor insurmountable difficulties, and
- if the apparent level of staff commitment and professionalism across both councils is synonymous with their approach to service delivery and innovation, this would allow for a reasonably smooth process.

The Delegate concluded that the factor is not an impediment to the merger proposal proceeding.

***The Commission’s view is that the Delegate did not adequately consider the issues under this factor.***

### 5.2.7 Employment impacts on staff

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

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

The Delegate noted that neither Hurstville City nor Kogarah City commented on this factor in their written submissions. The Delegate noted the three year protection under the Act for council employees. However, the Report also stated that there “will no doubt be some concerns about the potential loss of expert knowledge and corporate history through the rationalisation of senior staff positions.”

The Delegate concluded that any new positions created following management re-structuring are likely to attract very strong fields of capable candidates that will make up for any losses of senior staff. The Delegate also stated that other necessary staff reductions should be able to be reasonably managed through natural attrition and retraining staff for alternative roles.

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

### 5.2.8 Rural impacts

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

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

The Delegate considered that there were no rural impacts relevant to this proposal and therefore this factor was not considered to be an impediment to the merger proposal proceeding.

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

### 5.2.9 Wards

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

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

The Delegate noted that Hurstville City is divided into three wards and that it supported the ward system, proposing that the new council be divided into two councillors per ward across six wards or three councillors per ward across five wards. The Delegate also noted that while Kogarah currently has four wards, the Council strongly contended that should a new merged council be formed, it should have no wards. The Delegate noted that “Kogarah City Council believes the ward structure can be a catalyst for parochial decision making, especially during the allocation of budgets”.

The Delegate discussed the advantages and disadvantages of wards. He considered that after taking into account the relatively cohesive nature of these communities geographically and demographically, their historical community association, and the high degree of similarity of the challenges and opportunities that will face Council staff and elected representatives, a no wards system was the preferred option.

The Delegate stated that this option would avoid the risk of any electoral imbalance between wards and would encourage the best councillors no matter where they live in the Council area. He concluded that this factor does not present any obstacles to the merger proposal proceeding, and recommended that the new Council not have a wards system.

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

### 5.2.10 Opinions of diverse communities

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

*“in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented”.*

The Delegate noted the similarities in both council areas’ demographic characteristics and socio-economic profiles, each having a high proportion of individuals from non-English speaking

backgrounds. The Report stated that the high level of cultural and linguistic diversity creates the need for social cohesion initiatives, and that these increase accessibility and reduce barriers to community and economic participation. The Delegate also observed that the current Councils have a number of diversity and inclusion plans and strategies in place.

The Delegate gave examples of programs that each council manages for its diverse communities, and concluded that this factor is not an impediment to the merger proposal proceeding.

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

### **5.2.11 Other issues**

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

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

The Delegate considered the merits of a popularly elected mayor, noting that Kogarah City submitted that it “... the most critical and fundamental characteristics of a functional council is for the Mayor to have the confidence of the majority of councillors”. The Delegate recommended that if the proposed new council is formed, the Mayor be elected by the councillors.

Both Councils expressed a desire for the new name to be either St George or Georges River, with Kogarah expressing a strong preference for St George, and Hurstville not submitting a preference between either name. The Delegate recommended that the new council be named ‘St George’.

Hurstville City Council proposed a minor boundary adjustment with the Canterbury City Council LGA to move the current boundary at Narwee Town Centre from Broadarrow Road to the railway line. The Delegate noted that the population of the area was approximately 410 residents and 260 voters and that the proposed adjustment appears logical in re-aligning the boundary to a natural barrier which is unlikely to change into the future. The Delegate recommended that if the proposed new Council is implemented, the Minister should consider this boundary adjustment in due course.

The Delegate also noted that a number of submitters stated their concerns about the planning decisions of one or another of the current Councils. It is noted that some of these past concerns have led to investigations by the Office of Local Government.

The Delegate concluded that without being in a position to fully assess and verify the level or seriousness of these concerns it would seem prudent in the circumstances for the new Council to utilise an Independent Hearing and Assessment Panel to demonstrate impartiality, independence, and freedom from any undue influences. He recommended that, if the proposed new Council is implemented, it should establish an Independent Hearing and Assessment Panel.

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

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