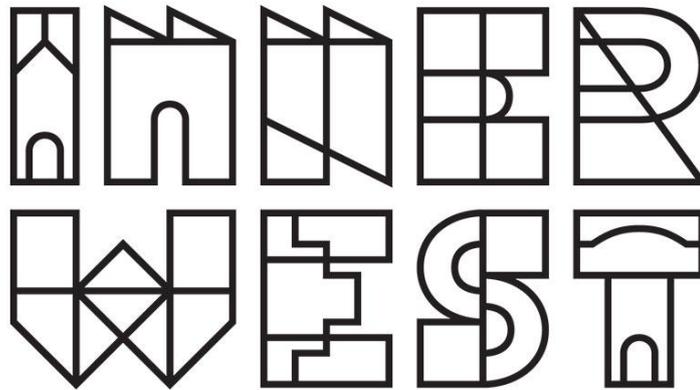


SUPPLEMENTARY AGENDA 2

Distributed on 12 October 2021



COUNCIL MEETING

TUESDAY 12 OCTOBER 2021

6.30pm

Location: Remote Meeting

MEETING AGENDA – PRECIS SUPPLEMENTARY ITEMS

The following report appears as late item as information required for the preparation of the report was not available at the time of distribution of the Business Paper.

1 Reports for Council Decision

ITEM	Page
C1021(2) Item 1 De-amalgamation Yes / No Case (The report is the same as published in the agenda, attachments 2 and 3 are late)	3

Item No: C1021(2) Item 1
Subject: DE-AMALGAMATION YES / NO CASE
Prepared By: Peter Gainsford - General Manager

RECOMMENDATION

Council adopts the Yes and No case flyer as distributed to Councillors prior to the meeting.

DISCUSSION

At the Ordinary Council meeting of 24 August 2021 Council resolved as follows

THAT:

1. *Council place the cost benefit report and the resolved de-amalgamation poll question on public exhibition, in keeping with the community engagement policy, with the outcomes of the consultation to be reported to the second Ordinary Council meeting in September;*
2. *YES and NO cases on de-amalgamation be included on Council's website, E-news, Flyers and the Inner West Council Newsletter;*
3. *Both YES and NO cases be translated into several languages;*
4. *Both the YES and NO cases be brought back to Council for approval after endorsement from the NSW Electoral Commission;*
5. *Council make clear to the community the caveats and limitations of the Morrison Low Report as they have identified in their report; and*
6. *The case for demerger references the statement in the legislation that State Government will fund the demerger.*

Council engaged an independent copywriter to prepare information from the Morrison Low report as a summary of the advantages and disadvantages for each option in accordance with the above resolution. The draft was circulated to Councillors previously and can be found as Attachment 1.

Subsequently Council was advised that the Electoral Commission could not endorse the YES and NO case and has now engaged a researcher who is undertaking the role of fact checker.

At the 28 September Ordinary Council Meeting resolved as follows:

THAT Council:

1. *Receives and notes the De-amalgamation Cost Benefit Engagement Outcomes Report;*
2. *Notes and accepts that the NSW Electoral Commission won't approve the yes and no case but has already signed off on the poll question as per Council's resolution;*

3. *Engage a freelance researcher who undertakes work for RMIT ABC Fact Check to review the draft yes and no case and the final flyer be presented to the Ordinary Meeting on 12 October; and*
4. *Councillors be invited to submit any published documentation or comments on the yes no case by 12PM Friday 1 October 2021 to the General Manager who will forward to the fact checker for their consideration.*

A final copy of the YES and NO case flyer was not available at the time of printing this report and will be distributed to Councillors the day prior to the Council Meeting and for the purposes of the report is referred to as attachment 2.

Council has a [dedicated web page](#) on the elections, including a section on the de-merger poll in the drop-down concertina.

Other scheduled actions include:

- Media release
- Social media
- Home page web banner
- Email signature
- E-news
- Flyer (including YES and NO case) distributed to all households and businesses
- Inner West Council News November edition.

FINANCIAL IMPLICATIONS

Nil

ATTACHMENTS

1. [↓](#) Draft De-amalgamation Flyer Yes and No Case after fact check
2. [↓](#) Inner West de-amalgamation flyer fact check – (Late attachment)
3. [↓](#) Draft De-amalgamation Flyer Yes and No case without fact check - (Late attachment)

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Item 1 De-Amalgamation Yes / No Case
Attachment 2 Draft De-amalgamation Flyer Yes and No case after fact check.

Inner West Council acknowledges the Gadigal and Wangal peoples of the Eora Nation who are the traditional custodians of the lands in which the Inner West local government area is situated.

Inner West Council is a proud, diverse and vibrant community of more than 200,000 people who respect and value different cultures, ideologies and experiences.

At the Local Government elections on 4 December 2021, the community will be asked to elect local representatives and also to answer an additional important question about the future of Inner West Council.

Remain with one Inner West Council or return to the original three councils?

In 2016, the NSW Government formed Inner West Council by bringing together Ashfield, Leichhardt and Marrickville councils.

Recently, the NSW Government made it possible for Councils to put forward a business case for de-amalgamation. In our local government area, de-amalgamation would mean separating the one Inner West Council into the three original councils: Ashfield, Leichhardt and Marrickville.

Inner West Council is considering preparing a de-amalgamation proposal for the NSW Minister for Local Government who is responsible for the final decision.

Your views will be key to informing Council’s position on the value of proceeding with a proposal for the Government to consider.

Weighing-up the ‘yes’ case and the ‘no’ case for de-amalgamation

Like any major decision, having as much information as possible will help to ensure Council takes the right path.

With this in mind, Inner West Council commissioned management consultants, Morrison Low, to provide independent advice on the economic, social and environmental benefits and costs of de-amalgamating.

Morrison Low found the following potential advantages and disadvantages to de-amalgamation:

The YES case for de-amalgamation
There would be a greater number of Councillors per resident compared to current representation. See table 1 for more information
Prior to amalgamation, research indicated high satisfaction rates among residents for Ashfield, Leichhardt and Marrickville councils
The costs associated with a de-amalgamation would be fully funded by the NSW State Government (subject to a business case)

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Council meetings would be located closer to where residents live providing greater access for some of the local community
There would be an increased ability to work at the grassroots level with community and representative groups, and develop a stronger understanding of local issues and opportunities
De-amalgamation offers the potential opportunity to reset Council direction

Table 1: Comparison of representation between individual councils and Inner West Council.

Council	Councillors	Representation population / councillor
Ashfield	12	3,966
Leichhardt	12	5,147
Marrickville	12	8,597
Inner West Council	15	14,168

The NO case for de-amalgamation
There would be ongoing estimated costs of \$22.1 million
There is an estimated significant operating funding shortfall for the three councils, necessitating a rate increase. The average estimated increase in rates is detailed in Table 2
It is estimated that 7.5% to 13.4% of staff may be made redundant
There is a potential loss of the efficiencies that have been achieved through the amalgamation, and a loss of an ability to leverage the increased scale and capacity that allows for a broader range of large-scale and significant projects
The social and demographic characteristics of the Inner West Council community indicate more similarities than differences
Research indicates the community is largely satisfied with Inner West Council's performance

Table 2: The estimated average rate increase that will be needed to fund the shortfall if councils are de-amalgamated.

Council	Current average rate	New average rate	Increase
Ashfield	\$ 1,723	\$2,044	\$321
Leichhardt	\$1,836	\$2,016	\$180
Marrickville	\$1,376	\$1,673	\$297

It is important to note that detailed modelling of rate changes as a result of de-amalgamation is difficult to accurately assess.

Morrison Low highlighted limitations in their advice including that there was no prescribed methodology/process for a de-amalgamation of councils in NSW, and so the report has needed to make a number of assumptions including the estimated rate changes. Also, time limitations and the availability of some information influenced the approach and depth of analysis.

Ordinary Council Meeting 12 October 2021
Item 1 De-Amalgamation Yes / No Case
Attachment 2 Draft De-amalgamation Flyer Yes and No case after fact check.

How can I share my views?

You will have the opportunity to share your views on this issue at the NSW Local Government elections on 4 December 2021 by answering 'yes' or 'no' to the following question:

In May 2016, Ashfield, Leichhardt and Marrickville councils were amalgamated into one local government area by the State Government.

Do you support the Inner West local government area being de-amalgamated, so as to restore the former local government areas of Ashfield, Leichhardt and Marrickville?

Next steps

It is important to note that the poll is 'non-binding'. This means that the response from the community to the question of de-amalgamating forms one important part of a significant body of evidence that the newly elected Council will consider to decide on a de-amalgamation proposal for the NSW Government.

Inner West Council will keep the community updated on the process.

Inner West de-amalgamation flyer fact check

Overall, the de-amalgamation flyer provided to me was factual and for the most part provided a balanced view of the arguments for and against de-amalgamation.

I was provided with the following documents to aid my fact-checking:

- 2015-16 financial statements for Ashfield, Liechhardt and Marrickville Councils
- Financial statements for Inner West Council
- Council customer satisfaction surveys from 2015 and 2016 for Ashfield, Liechhardt and Marrickville Councils
- Inner West council customer satisfaction surveys from 2016, 2017, 2018 and 2021
- Comparison Memo for the surveys
- Morrison Low Report 2015
- Morrison Low Merger Analysis
- Letter from Office of Local Government 2021
- 2015 Parliamentary Inquiry Submission
- Transcript from Parliamentary Inquiry
- 2021 Morrison Low De-amalgamation report
- Save our Councils Coalition 'A Sea of Red Ink' report
- Cllr Rochelle Porteous' suggested changes to the flyer

Some of my notes cover instances of subjective language or points which have not been backed by evidence which are easily amended. Where possible, the language contained in the Morrison Low report or other source documents should be mimicked.

I agree with Cllr Porteous' suggestion that the dot points contained at the end of the document more closely align with the 'no' argument, however they seem to be of less relevance than the arguments included in the tables. A single argument encompassing the fact that there would be no significant social or environmental impacts of remaining or de-amalgamating could be included in the 'no' table. An argument noting high overall satisfaction rates could also be included.

Cllr Porteous' suggestions of the inclusion of 'yes' arguments about the location of council meetings and the ability to work at a grassroots level could be accepted in order to balance the tables. High satisfaction rates were also recorded by Ashfield, Leichhardt and Marrickville pre-amalgamation and could be noted.

In my opinion, the inclusion of the table showing estimated rate increases does not pose an issue as long as the limitations outlined by Morrison Low are made clear. For example, the report notes:

“Detailed modelling of the changes in rates in a de-amalgamation is very difficult to do with any degree of accuracy.”

A full fact check of this table would require access to Morrison Low’s full methodology and modelling and would need to be undertaken by an economist.

Ellen McCutchan

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Inner West Council is considering preparing a de-amalgamation proposal for the NSW Minister for Local Government who is responsible for the final decision.

Your views will be key to informing Council’s position on the value of proceeding with a proposal for the Government to consider.

Weighing-up the ‘yes’ case and the ‘no’ case for de-amalgamation

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With this in mind, Inner West Council commissioned management consultants, Morrison Low, to provide independent advice on the economic, social and environmental benefits and costs of de-amalgamating.

Morrison Low found the following potential advantages and disadvantages to de-amalgamation:

The YES case for de-amalgamation
Significantly improve access by members of the community to elected councillors and their council. See table 1 for more information
Costs associated with a de-amalgamation would be fully-funded by the NSW State Government (subject to a business case)
Gain the ability to reset by shedding some assets and processes, and starting a new organisation from scratch

Offer the opportunity to create further efficiencies and / or wind-back some of the measures introduced by Inner West Council
Increase the ability to work at the grassroots level with community and representative groups and develop a stronger understanding of local issues and opportunities

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The NO case for de-amalgamation
Ongoing costs and benefits of \$22.1 million including borrowing costs, employee benefits and delivery costs of new and increased services
The three councils will have a significant operating funding shortfall, which means that a rate increase will be needed. See table 2 for more information
Loss of staff
Loss of efficiencies achieved through the amalgamation across services, policy and organisational operations
Loss of ability to leverage the increased scale and capacity that allows for a broader range of large-scale and significant projects

Table 2: The average rate increase that will be needed to fund the shortfall if councils are de-amalgamated.

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It is important to note that Morrison Low highlighted limitations in their advice including that there was no prescribed methodology/process for a de-amalgamation of councils in NSW, and so the report has needed to make a number of assumptions. Also, time limitations and the availability of some information influenced the approach and depth of analysis.

In determining your views on the 'yes' case and the 'no' case, following are some additional points to consider:

- A study of the social and demographic characteristics across Inner West Council found more similarities than differences among the community.
- Independent research that is undertaken annually by Inner West Council to guide service delivery indicates that the community is largely satisfied with its performance.
- An analysis of *Community Strategic Plans* before and after the amalgamation suggests that all have shared themes driven by the aspirations of their communities. There are no significant social advantages nor disadvantages to remaining as one council or de-amalgamating.
- An analysis of *Local Environmental Plans* before and after the amalgamation shows the aims of land-use planning in the natural and built environments have remained consistent. There are no significant environmental advantages nor disadvantages to remaining or de-amalgamating.

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