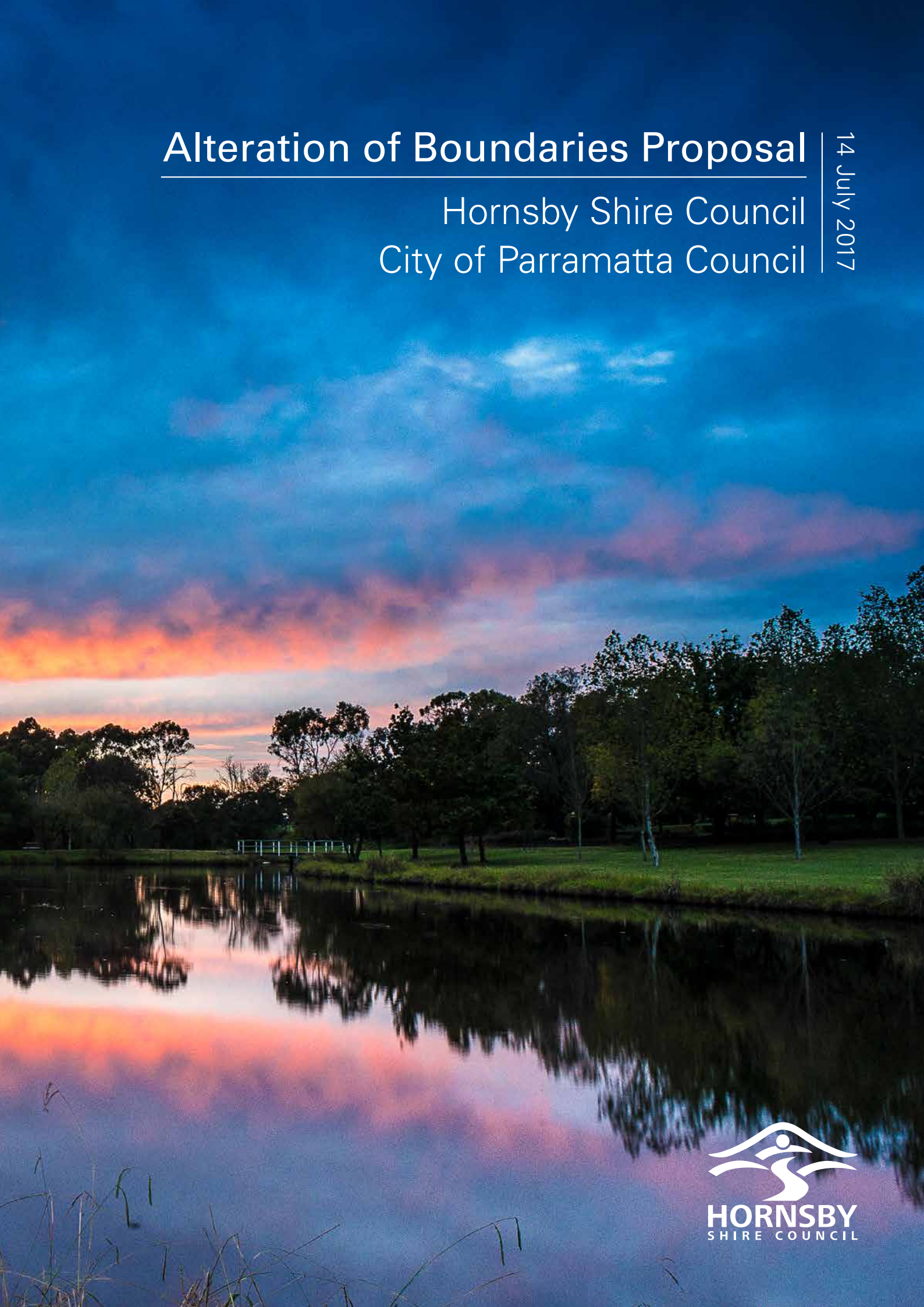


Alteration of Boundaries Proposal

Hornsby Shire Council
City of Parramatta Council

14 July 2017



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Executive summary

Hornsby Shire Council is submitting this proposal to the NSW Government asking for the return of the area south of the M2 Motorway. This territory was transferred from Hornsby Shire to the City of Parramatta in May 2016 as part of the Fit for the Future local government reforms.

The purpose of the NSW Government's local government reform agenda was to create larger councils that had sufficient scale and capacity to ensure they could meet the challenges of the future. They were to be more economically viable and of sufficient size to partner with State Government for the delivery of major projects that would benefit communities - but in the case of Hornsby Shire Council it has done the exact opposite.

On 12 May 2016, the NSW Government's Local Government (City of Parramatta and Cumberland) Proclamation 2016 took effect. The proclamation annexed areas south of the M2 Motorway from Hornsby Shire Council and transferred that area to an enlarged City of Parramatta Council. The Government also signalled its support for the proposal for all suburbs north of the M2 Motorway (part of Hornsby Shire) to join with all suburbs in the Ku-ring-gai local government area to form a single large council with the scale and capacity of approximately 250,000 residents, but indicated it would not take action until Ku-ring-gai Council's legal challenge had been heard. In this regard, Ku-ring-gai Council's legal action was based on a number of identified flaws in the NSW Government's process for the implementation of the Hornsby/Ku-ring-gai merger and was ultimately successful in the Court of Appeal.

Hornsby Shire Council was always opposed to the loss of the suburbs south of the M2 Motorway, which had been part of Hornsby Shire since its creation in 1906. However, Council tolerated the move because the proposed amalgamation with Ku-ring-gai Council would ultimately lead to a larger Shire that was better able to deliver services to residents. It is noted that the Government indicated in its analysis of the Hornsby/Ku-ring-gai Council merger that a \$70 million benefit would be provided to the merged Council over a 20 year period if the merger progressed.

Hornsby Shire Council now finds itself in a deleterious situation. The stated purpose of the Fit for the Future

initiative was to create larger councils that were more financially sustainable, but the exact opposite has happened to Hornsby Shire Council. The Shire is now 15 percent smaller and Council's financial position is much weaker. With the redrawing of the boundaries Council's budget has dropped from an annual surplus of \$14.638M in 2015/16 to an average \$1.4M per annum over the term of Council's recently adopted Long Term Financial Plan.

It should be noted that an IPART assessment of Parramatta City Council prior to the mergers being announced by the Government was that it was rated very similar to Hornsby Shire Council i.e. it met all of the IPART criteria except for Scale and Capacity. What has happened since through the transfer of the area south of the M2 Motorway is that the City of Parramatta has become increasingly strong whilst Hornsby Shire Council has been considerably weakened.

The NSW Government's execution of its local government reform agenda has to date comprehensively failed the residents and ratepayers of Hornsby Shire. Firstly the Government should have had due regard to the Independent Local Government Review Panel's recommendation that whole council mergers take place, and secondly should have instructed the delegate to take account of the excise of the area south of the M2 Motorway in its Hornsby/Ku-ring-gai proposal.

The NSW Government has been silent on any efforts to resolve the dilemma Hornsby Shire Council now faces. The current situation adversely impacts Council and the organisation is demonstrably worse off as a direct result of the process undertaken by the Government. The NSW Government has not committed to resolve the issue in a timely way, and there is a real possibility Hornsby Shire Council, and the people of the Shire, will be left in this precarious position indefinitely.

Introduction

This is an alteration of boundaries proposal by Hornsby Shire Council, as a council affected by this proposal, made to the Minister for Local Government under Section 218E(1) of the Local Government Act for the return of the former Council area south of the M2 Motorway to Hornsby Shire Council.

The proposal is made in response to the NSW Government's Local Government (City of Parramatta and Cumberland) Proclamation 2016 which annexed areas south of the M2 Motorway from Hornsby Shire Council and transferred that area to an enlarged City of Parramatta Council.

In 2011, the NSW Government declared its desire to transform the system of local government to ensure that councils are able to deliver the quality services and infrastructure that communities deserve. The Government has consistently stated that reform will create stronger councils and improve the delivery of services and infrastructure. The primary method to achieve these improvements was billed as larger councils with sufficient scale and capacity to effectively partner with the State Government in driving significant community projects. Larger councils would be more efficient, able to achieve substantial budgetary savings, and have the capacity to provide significant benefits to the community.

In Hornsby Shire Council's case, as an unintended consequence of the government's stalled local government reform process, it has done the exact opposite. Hornsby Shire Council is instead smaller, financially weaker, has lost a number of significant assets and rate income, and is feeling abandoned by the NSW Government. The return of the area south of the M2 Motorway will reinstate Hornsby Shire Council's scale and capacity to provide progressive and effective services to the people of Hornsby Shire. It will also reunite communities that Hornsby Shire Council has supported since 1906, communities with similar needs and expectations, communities that have grown together over the past 100 years.



Hornsby Shire Council Chambers

Background leading to this proposal

Reform of local government had been mooted for many years. In 2011 the Mayors and General Managers of all 152 NSW councils and representatives of various local government industry groups met to discuss and plan the future of local government in NSW for the next 25 years.

In 2012 the Independent Local Government Review Panel (ILGRP) was appointed, following a request from the local government sector. The Panel looked at options for local government structures, governance models and boundary changes. It was an evidence-based inquiry that was completed in early 2014. The specific recommendation for Hornsby Shire Council, contained in Table 4 of the Consultation Paper, was for Hornsby Shire Council to amalgamate with Ku-ring-gai Council.

The Panel also recommended, in line with its proposed expansion of the City of Parramatta Council boundaries, that Hornsby's current boundary with Parramatta and/or Ryde Councils be shifted north to the M2 Motorway. It is extremely important to note that this boundary change was suggested only in the context of the Hornsby/Ku-ring-gai merger. The ILGRP consistently stated that mergers of whole councils was its preferred and recommended model.

On 13 August 2014 the NSW Government requested the Independent Pricing and Regulatory Tribunal (IPART) undertake a review of the ILGRP's assessment criteria for 'fit for the future' councils. The NSW Government's stated policy objective at that time was to *"create strategic and fit for the future councils – councils that are financially sustainable: efficient; with the capacity to effectively manage infrastructure and deliver services; the scale, resources and 'strategic capacity' to govern effectively and partner with the State; and has the capacity to reduce red tape and bureaucracy for business and a scale and structure that is broadly in line with the Panel's recommendations."* Source – IPART, Review of criteria for Fit for the Future report, page 49

In September 2014, the NSW Government responded to both the ILGRP's recommendations and IPART's assessment criteria by releasing Fit for the Future, A Roadmap of Stronger, Smarter Councils. The Government requested all councils consider voluntary amalgamation options and prepare a plan for moving to a more sustainable position based on IPART's assessed criteria. The Government's roadmap stated,

"NSW Government has a vision to rebuild our state and deliver a strong future for the people of NSW. To have a strong future, NSW needs strong councils providing services and infrastructure that communities need."

Source – OLG, pg5, A Roadmap for Stronger Smarter Councils.

Hornsby Shire Council conducted research and consulted with neighbouring councils regarding voluntary amalgamation. As no neighbouring council would consider voluntary amalgamation, Hornsby submitted its response to the IPART criteria as a single entity. IPART assessed Hornsby Shire Council as 'not fit' to remain as a standalone entity. IPART's summary for Hornsby was that:

- Hornsby Shire Council does not satisfy the scale and capacity criterion.
- Council satisfies the financial criteria overall. It also satisfies the sustainability, infrastructure and service management and efficiency criteria.
- Scale and capacity is a threshold criterion which councils must meet to be fit for the future, therefore Council is 'not fit' for the future.

IPART also assessed Ku-ring-gai Council as 'not fit' to remain as a standalone entity, due to lack of scale and capacity, and recommended that Hornsby and Ku-ring-gai Councils amalgamate.

Current situation – a council in limbo

On 12 May 2016 the NSW Government proclaimed the expanded City of Parramatta Council, including the former Hornsby Shire area south of the M2 Motorway.

The Government also declared its in-principle support for the proposal to amalgamate Hornsby Shire Council (north of the M2 Motorway) with Ku-ring-gai Council, but indicated it would not take action until Ku-ring-gai Council's legal challenge had been heard. At this point, the Government once again reiterated its desire for larger, stronger councils with the strategic capacity to better meet the needs of the community into the future.

Hornsby Shire Council could have become a stronger and more viable council than it previously was, in line with the Fit for the Future goals, if the amalgamation with Ku-ring-gai Council had gone ahead. However, the NSW Government was unable to carry out that merger proposal due to Ku-ring-gai Council's legal action which was ultimately successful. Ku-ring-gai Council's legal action was based, among other objections, on the fact that the delegate considering the Hornsby/Ku-ring-gai merger did not take into account the fact that a large section of Hornsby Shire would be removed before the amalgamation. This was a serious error by the Government, which failed on two counts. Firstly, the Government should have had due regard for the ILGRP's recommendation that whole council mergers take place. Secondly, the Government should have instructed the delegate to take account of the excise of the area south of the M2 Motorway in its Hornsby/Ku-ring-gai proposal, and in particular the negative financial impact on Hornsby Shire Council.

Hornsby Shire Council is now in an extremely difficult position. The NSW Government's stated objective was to strengthen local councils, making them more financially sustainable and giving them greater ability to meet the needs of their communities. Instead the Government's actions have had a negative impact on Hornsby Shire Council. Council's future financial sustainability has been severely undermined, while its scale and capacity has been reduced. The matter has been made worse by the NSW Government's subsequent inaction and apparent indecision. Hornsby Shire Council is now in a significantly weakened position, unsure of its future and unable to move ahead with primary management decisions. The Council is not even able to carry out something as fundamental as the appointment of a permanent general manager, and has now appointed its third acting general manager since August 2015.

Hornsby Shire Council is of the opinion the two proposals relevant to it, namely transferring the area south of the M2 Motorway and the merger with Ku-ring-gai Council, were co-dependent and therefore needed to occur concurrently. Section 218A of the Local Government Act 1993 specifically refers to amalgamation of two or more areas, not parts of areas. Ku-ring-gai Council's appeal proceedings in the NSW Supreme Court were based on a number of questions, including whether the NSW Government's Hornsby/Ku-ring-gai Council merger proposal involved two local government areas. The Court of Appeal allowed the appeal citing amongst other things, that the proposal did not involve the amalgamation of two areas.

It was a mistake for the Government to proclaim the City of Parramatta thereby removing the area south of the M2 Motorway before the Hornsby/Ku-ring-gai amalgamation was confirmed. This has left Hornsby Shire Council in an appalling state of uncertainty and limbo since May 2016. No other council in NSW has been subjected to such a significant loss of territory, on top of an amalgamation. The situation is worsened by the fact that the NSW Government never signalled its intention to transfer the area south of the M2 Motorway to Parramatta. The NSW Government had only talked about whole council amalgamations. Hornsby Shire Council had been preparing for major changes and upgrades to the Epping area in line with Epping's status as a housing and economic hub. Funds had been invested in research and investigations regarding community requirements in Epping. That was just one of the reasons Hornsby Shire Council opposed the annexure of the territory, both publicly through the media and in its communication to the NSW Government.

Hornsby Shire Council is now 15 percent smaller than it was before the NSW Government began the local government reform process. Its scale and financial capacity has been seriously impacted by the loss of the area south of the M2 Motorway. This area has had significant investment by Council over the past 100 years and has a number of key assets including a library and community centre with a value of at least \$50 million. The loss of the area south of the M2 Motorway has also meant the loss of rates income and the loss of a substantial revenue stream by way of section 94 development contributions. Hornsby Shire Council did not receive any compensation for the loss of assets.

Council has been weakened by the loss of territory and it is not clear whether the Government will rectify the situation by amalgamating Hornsby and Ku-ring-gai Councils. Therefore, Hornsby Shire Council urgently seeks the return of the area south of the M2 Motorway.



Hornsby Shire Council's support for the NSW Government

It is important to note that Hornsby Shire Council is not among the many councils that have opposed local government reform at every step. Hornsby Shire Council has always been a willing participant in the process that has been carried out by the NSW Government.

From the very beginning, Council has supported the Government's policy that larger councils are in the best interests of ratepayers, as the stronger financial position makes it much easier to deliver services to residents. This position has been reinforced by three separate independent reports that Council has commissioned to research the amalgamation options, from PriceWaterhouseCoopers, Crosby Textor and KPMG. Each of these indicated there would be significant benefits from an amalgamation between Hornsby and Ku-ring-gai Councils, such as the Council commissioned KPMG research which showed there would be approximately \$50 million in financial benefits over the first decade of the merger.

In 2015, Hornsby Shire Council submitted two proposals to the Government, each of which would have resulted in a larger council. The first was for Hornsby and Ku-ring-gai Councils to be joined together, along with an expansion of Hornsby Shire Council's existing boundaries at Carlingford, Eastwood, Epping, Marsfield and Macquarie Park. This was part of a broader proposal that would have seen the number of councils in northern Sydney reduced from 11 to three, each of them much larger and with greater financial strength. The second proposal was for the whole of Hornsby and Ku-ring-gai Councils to be amalgamated with no other boundary adjustments.

Hornsby Shire Council's support for the Government's reform agenda can clearly be seen in the public statements that have been made by Council. In late 2015, when the proposals for amalgamations and boundary adjustments were first announced by the Government, Council issued a media release that contained the following remarks by Hornsby Shire Mayor Steve Russell:

"For a long time Hornsby Council has been arguing for amalgamation with Ku-ring-gai as a necessary reform to improve the outcome for ratepayers in both areas"

"We're very pleased that the Government is moving in that direction while still giving residents a chance to have their say to the Boundaries Commission."

Mayor Russell is less enthusiastic about the suggestion that Epping leave Hornsby Shire, but is willing to examine the case being made by the Government.

"Council has invested a lot of money and effort in Epping and we would be very disappointed to say goodbye to it."

"However, we will look into the Government's reasons for this proposal and if it is in the best interests of the local community we will happily support it."

"We will certainly not make any rash, selfish or ill-conceived remarks until we have heard all the evidence."

"A sad fact about the current amalgamation debate is that much of the negative commentary is coming from councillors who are trying to protect their own position and prestige."

"I'm very proud that Hornsby Shire's councillors have remained above that line and are pursuing the best possible result for the residents who elected them, even if it means we will lose our place on Council."

Hornsby Shire Council's support for the amalgamation with Ku-ring-gai Council has always been firm. However, when Council fully examined the proposal to give the territory south of the M2 Motorway to the City of Parramatta Council, it became clear that there would be significant financial losses to the ratepayers of Hornsby Shire. Council made a submission to the Government outlining the reasons that Epping and the other suburbs below the Motorway should remain within the amalgamated Hornsby/Ku-ring-gai Council that was being proposed. That submission was not heeded.

In May 2016, when the Government announced that Hornsby and Ku-ring-gai Councils should merge, while the territory below the M2 Motorway should be given to Parramatta, Council once again expressed its support for the Government. On 12 May 2016 Council issued a media release that included the following comments from Mayor Russell:

"This is a big step forward and we're very pleased to see the Government recognises the benefits it will bring to the ratepayers of both council areas,"

"This is something we have been campaigning for over a number of years and we're glad to be on the home stretch."

"There is a great chance that I'll be unemployed and fishing in a few weeks, but that's a small price to pay as I'm convinced the merger will bring excellent results and I'll be proud to have played my part."

"The benefits will include better services, increased infrastructure spending and a much stronger negotiating position with the government and contractors.

It will also provide a predicted \$70 million in revenue over the next 20 years, on top of the \$20 million the Government is offering to help with the amalgamation process.

Meanwhile, Hornsby Shire Council is affected by the expansion of City of Parramatta Council, with the residents south of the M2 joining the new local government area."

"We're not as thrilled about that announcement, as the suburbs around Epping have a long and close connection to Hornsby Council,"

"However, we have long believed the Epping CBD should be in one local government area and we're pleased to see that will finally happen."

"To bring about a smooth transition we have been in discussion with Parramatta for some time to ensure services to residents continue without disruption."

The NSW Government was pleased to have a strong ally from the local government sector. Mayor Russell appeared at the Parliamentary Inquiry into Local Government Reform to speak in favour of the process, one of the few representatives from a council that supported the Government. Mayor Russell also spoke in support of the reform process at LGNSW Conferences when many others were attacking the Government's reform agenda.

In March 2017, when Ku-ring-gai Council was successful in the NSW Court of Appeal and the Hornsby/Ku-ring-gai amalgamation became suddenly very uncertain, Hornsby Shire Council issued another media release that included the following comments from Mayor Russell:

"For more than a year we have been waiting for Ku-ring-gai Council and the State Government to resolve this issue."

"We have always been strong supporters of the need for local government reform and that remains our position."

"We agree that the loss of the area south of the M2 has a significant short-term effect on our Council and any amalgamated council."

"However, we remain confident that with strong leadership this can be readily overcome."

From these releases it is clear that Hornsby Shire Council has always supported the NSW Government in its policy of local government reform. Council was not pleased to lose the territory below the M2 Motorway for a number of reasons, but was able to look at the larger picture and acknowledge that the merger with Ku-ring-gai Council would still place the ratepayers in a better position than they were when the reform process began.

The NSW Government could lodge an alternative proposal to merge Hornsby and Ku-ring-gai Councils now but has chosen not to, and so far the Government has not explained its reticence. If the merger with Ku-ring-gai Council does not take place, the ratepayers of Hornsby Shire will end up losing out as a result of this process. It is not clear whether the NSW Government will push forward with local government reform and at this point Hornsby Shire Council would be happy for the status quo to simply be reinstated.



Factors to be considered under Section 263 of the Local Government Act

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.

Prior to the 12 May 2016 boundary adjustment with the City of Parramatta, Council's Income Statement Result (before capital and asset sales) had achieved the following results:

2013/14	\$6.688 million surplus
2014/15	\$14.770 million surplus
2015/16	\$14.638 million surplus

Council's operating performance ratio (which is a measure of Council's ability to contain operating expenditure within operating revenue) had achieved a level of 11% and provided capacity to address future infrastructure and service needs without the need to dramatically raise rates.

These results had been achieved through a range of financial initiatives over the last few years which included a 10% reduction in staffing levels, freeze on non-labour related expenditure, outsourcing of some services, performance improvement to business activities, reduced legal fees and increased revenue from development activity to name a few.

Hornsby Shire Council's strong financial performance was recognised by a review conducted in November 2014 by NSW Treasury Corporation that provided a financial sustainability rating of Sound. This Sound financial position was recognised by the NSW Government as part of their assessment process for NSW council amalgamations however due to scale and capacity (population size) a merge with Ku-ring-gai Council was proposed. The ILGRP referred to scale and capacity as *"high capacity councils that can better represent and serve their local communities on metropolitan issues, and be true partners of State and federal agencies"*. ILGRP Final Report October 2013 page 98

Council's revised Long Term Financial Plan (10 yr) presented to the 14 June 2017 General Meeting had taken into account the impact of the area transferred to the City of Parramatta Council. Significant adjustments to Council's financial position included:

- Decrease in net recurrent revenue of \$9.1 million per annum. Over the period of this Plan, with rate increases applied, this would equate to \$99.6 million.
- Foregone growth in rates income estimated at a minimum of \$2.4 million from current and future development concentrated in this area over the next 10 years.
- Assets that had been identified (in excess of \$50 million) which were to be used towards funding the eventual development of the Hornsby Quarry and Westleigh recreation sites.
- Section 94 funds of \$14 million collected prior to the proclamation date to be transferred to the City of Parramatta Council.
- Significant foregone Section 94 funds from projected future development in the area south of the M2 Motorway totalling tens of millions of dollars.

As a consequence of the boundary adjustment, there has been a significant decline in Council's operating capacity, calculated to reduce from 11% to below 1% over the period of the Long Term Financial Plan. Stated in other terms the surplus will decline on average over the next ten years to around \$1.4 million per annum. Unfortunately, this result was not predicted by KPMG in their assessment undertaken on behalf of the NSW Government predominantly because it did not take into account the impact of government cross subsidisation principles.

In this regard, as a suburb becomes mature, like the suburbs in the areas south of the M2 Motorway, and have already benefitted from facilities like a library, an aquatic centre, community centres and sportsfields, part of the revenue collected from rates in this area goes towards funding improvements in other suburbs. The historical establishment of such facilities in the area south of the M2 Motorway has been achieved in the past on the same basis, i.e. by utilising funds derived from other areas of the Shire, including the area north of the M2 Motorway. In essence, the rates being collected in suburbs north of the M2 Motorway were used to establish these facilities based on priority needs at the time.

This decline in operating performance will severely restrict Council's ability to meet future infrastructure and service needs. Renewing infrastructure and buildings will fall below industry benchmarks from 2023/24 onwards as Council up until this time will depend upon utilising existing cash reserves. The ability to fund significant

shortfalls in sporting and recreation requirements will also need to be placed on hold due to reduced operating capacity and limited ability to service debt. Major redevelopments such as the Hornsby Quarry and the former Westleigh Water Board site will also need to be placed on hold.

The proposal to return the area south of the M2 Motorway will enable Hornsby Shire Council to restore its operating capacity to levels experienced prior to the 12 May 2016 boundary adjustment. This will enable future infrastructure and service level requirements to be achieved in line with community expectations without burdening residents with rate increases above the rate capping allowance, substantial external loan borrowings or a decrease in service levels.

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

Communities of interest evolve from groups that share a common interest. Communities of interest are not defined by delineation such as a Motorway, rather by a shared attachment to a place and its history. Epping and North Epping are some of the earliest settlements in Hornsby Shire having established themselves with the opening of the railway line in 1886. From the beginnings of the incorporation of Epping into Hornsby Shire, Epping has been an important hub in the southern part of the Shire. Hornsby Shire Council invested heavily in providing community facilities and recreational opportunities including establishing parks such as Dence Park and West Epping Oval. Hornsby Shire Council was also involved in the establishment of the Epping School of Arts in 1907.

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

The territory south of the M2 Motorway has been a part of Hornsby Shire since Council's formation in 1906. For more than a century its residents have looked north to Hornsby for local government services and would be much more comfortable once again joining the political landscape they are familiar with.

The first subdivisions of land were made at Epping in 1886, the same year as the railway line opened. In 1906, parts of Epping were incorporated into the newly established Hornsby Shire Council. Although there has been some minor internal Shire boundary adjustments, Epping remained part of Hornsby Shire until 2016. After World War II, there was an increased demand for housing, and the small farms and orchards were subdivided and sold. This continued throughout the 1940's up until the 1970's with new residential districts being created.

Epping is one of the areas Hornsby Shire Council has invested in heavily over preceding decades. It has always been a significant part of the Shire's community, the southernmost centre of services and infrastructure. Without it the Shire is both smaller and financially weaker, essentially seriously diminished in scale and capacity.

The attitude of the residents and ratepayers of the areas concerned.

Since the areas south of the M2 Motorway were removed from Hornsby Shire Council there have been no formal surveys or other research into opinions among the local community. However, the general feedback from residents has indicated that they are less happy being part of the City of Parramatta Council than they were with Hornsby Shire Council. A number of Epping residents have indicated to Hornsby Shire's Mayor, Councillors and staff that they feel ignored by their new Council, that they have gone from being an important centre in Hornsby Shire to an insignificant suburb on the fringes of the City of Parramatta.

There is one element of the research conducted by Crosby Textor, prior to the territory south of the M2 Motorway being taken away from Hornsby Shire, that is relevant to the current discussion. One of the arguments for not returning the lost territory to Hornsby Shire Council is that the suburb of Epping should not be split between two different local government areas, as it was between 1906 and 2016. However, only two percent of residents in Hornsby Shire were concerned by Epping being divided between the Councils, while only seven percent of residents in the northern area of Parramatta were bothered by the split. The concern seems to be a Government concern, not an issue for residents and ratepayers.

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 considered relevant in relation to the past and future patterns of elected representation for that area.

Hornsby Shire Council's elected representatives have managed the Hornsby local government area very well for over 100 years. The Council is well respected and has always represented its residents and ratepayers cordially and professionally. The Council has never been placed in administration. The area south of the M2 Motorway has been a big winner, with the timely investment in infrastructure that has enabled its growth and prosperity, to the point where it became a 'prize' for the NSW Government to allocate to a neighbouring council.

Factors to be considered under Section 263 of the Local Government Act

If this proposal is progressed, there would be little change in the representation that is received by each ratepayer, as this is very similar for both Hornsby Shire Council and the City of Parramatta Council. In Hornsby there are currently 151,000 residents and nine councillors and a popularly elected Mayor, which equates to a representation of one councillor for every 15,100 residents. In Parramatta there are 235,000 residents and 15 councillors, which equates to one councillor for every 15,666 residents. The return of the area south of the M2 Motorway has minor impact on representation. Hornsby would have one councillor for every 16,500 residents, Parramatta would have one councillor for 14,666 residents.

The impact of the proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities.

Placing the area south of the M2 Motorway back under the management of Hornsby Shire Council will have no negative impact on the services and facilities provided to the residents in that area. Hornsby Shire Council was able to provide excellent services to those residents for more than a century and it would be no challenge to continue doing so. In fact we have continued to provide many services to the community since 12 May 2016 under a contract arrangement with City of Parramatta Council. Council has always invested heavily in the Epping area and had plans for major infrastructure projects, including a new library and community centre, before that area was taken away.

The negative impact will come from not returning that area to Hornsby Shire, with the residents throughout the rest of the Shire certain to suffer because of the loss of that territory. The shrinking of Hornsby Shire has dealt a severe blow to Council's revenue stream and the annual recurrent surplus has dropped from \$14 million to around \$1.4 million on average over the next ten years. This will clearly affect Council's ability to fund new capital items and undertake capital upgrades, as well as providing adequate, equitable and appropriate services and facilities.

Under a 'fee for service' arrangement with City of Parramatta Council, Hornsby Shire Council has continued to provide major services to the residences south of the M2 Motorway including comprehensive rating services, domestic waste management, etc. These are core local

government services. Hornsby Shire Council can easily assume control and delivery of all the services it formerly provided to the area south of the M2 Motorway.

The impact of the proposal on the employment of the staff by the councils of the areas concerned.

Returning the territory south of the M2 Motorway to Hornsby Shire will have no impact on the staff employed by each Council. At worst, there would be minor reshuffling as the staff who have been transferred from Hornsby to Parramatta, such as those who work in Epping Library, are returned.

Again, the worst impact will come if the territory is not returned to Hornsby. This is because Hornsby Shire Council's much weaker financial position could leave the Council with no option other than to review its various services in an effort to decrease expenditure. Such a review would likely lead to a significant decrease in staff levels throughout Council, exacerbated because we already have lower staffing levels than many other similar councils.

Hornsby Shire Council continues to provide some major services to the area south of the M2 Motorway as outlined above and would have no difficulty in resuming provision of a full suite of local government services to the area.

The impact of the proposal on rural communities in the areas concerned.

There are no significant rural communities in the area south of the M2 Motorway. Hornsby Shire's rural communities are mainly located in the northwest and they would not be affected at all by the proposal, except for the positive impact of joining the rest of the Shire in enjoying a much stronger financial position.

The desirability (or otherwise) of dividing the resulting area or areas into wards.

For more than a century, Hornsby Shire Council had a positive experience with three wards that each elected three councillors. Since 2004, Hornsby Shire Council has also had a popularly elected Mayor, which has also been successful. It is suggested that, should the territory south of the M2 Motorway be returned to Hornsby Council, this system continue with ward boundaries similar to those that existed before the area south of the M2 Motorway was removed from the Shire.

The need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented.

For more than a century, Hornsby Shire Council has represented the interests of the various groups and communities that reside in Hornsby Shire. Council's Community Strategic Plan describes what all Shire residents value about living here; it's a feeling of wellbeing that comes from living in an area with clean air, green spaces, serviced with good infrastructure, a place that feels safe and neighbourhoods that are friendly. The people residing south of the M2 Motorway were included in the consultations that described life in Hornsby Shire.

Such other factors as considered relevant to the provision of efficient and effective local government in the existing and proposed new areas.

The M2 Motorway as a boundary

The M2 motorway is not a substantive local government boundary with historical credibility. The motorway has been "retro fitted" with the community able to either transverse under or over the road. Many communities, sporting groups, school catchments and religious groups permeate through this boundary.

Hornsby Shire Council has been seamlessly delivering services to the area south of the M2 Motorway for many years. These services include:

- Waste and recycling services
- Community services including a library, numerous community buildings and community centres
- Recreation services including a swimming pool, parks and ovals, and playgrounds
- Development application assessment
- Receipt of Section 94 contributions
- Planning proposal evaluation
- Principal certifying authority
- Swimming pool inspections
- Food premises inspections
- Major infrastructure improvements including Oxford Street Epping.

Hornsby Shire Council has invested heavily in the area south of the M2 Motorway in the past. That investment continues. Council embarked on a major project to upgrade the Epping area including redeveloping the CBD public spaces and enlivening the town centre.

Annexing the area south of the M2 Motorway has fractured the suburbs of Epping and North Epping. Epping and North Epping are named after Epping Forest in England. Hornsby Shire was created in the 1880's as a result of the construction of the main northern railway line and the north shore line. The suburbs of Epping and North Epping were part of the original Shire area. Epping railway station was opened in 1886 and was vital to the timber getting industry in Hornsby Shire that supplied wood to the burgeoning Sydney town.

Both Epping and North Epping were under the municipal authority of C Ward in Hornsby Shire Council, both are part of the federal electorate of Bennelong and State electorate of Epping. Epping and North Epping share the same postcode 2121 and community groups in both suburbs contribute to the community website epping2121.com.au.

Parramatta as a second CBD

The annexure of the area south of the M2 Motorway was principally about giving the Parramatta local government area a bigger geographical land mass and population base. Parramatta has been nominated as a second CBD for many years, however has struggled over the past 40 years to establish itself as such. The failure is often attributed to the State Government's inability over successive decades to provide sufficient support and resources. A larger geographical area does little to change the result. Increasing its population base by transferring an area with large rating capacity means the NSW Government redistributes a valuable funding source from one local government area to another.

By comparison, Sydney City has only a marginally higher population base than Parramatta and that Council also has a very small geographical footprint and was not the subject of any of the 35 merger proposals. This raises the question about the purpose behind transferring the area of Hornsby Shire south of the M2 Motorway. It also points to the fact that the City of Parramatta Council does not require the additional area south of the M2 Motorway, particularly as Epping is on the eastern fringe of the Parramatta area and has very little in common with the social demography of the Parramatta local government area.

Conclusion

This alteration of boundaries proposal submitted by Hornsby Shire Council is completely new. The ILGRP did not identify it nor did it assess it. Similarly it was neither identified nor assessed by IPART. However the same is true of the proposal that saw the suburbs south of the M2 Motorway transferred to City of Parramatta Council. No authority assessed that proposal in isolation.

By its very nature, the proposal to transfer suburbs south of the M2 Motorway to the City of Parramatta Council represents a complex boundary adjustment which has had a high cost, and in any way you measure it, will result in very little benefit. This new proposal aims to rectify that situation and return the suburbs south of the M2 Motorway to Hornsby Shire where they had been for over 100 years.

A whole merger with Hornsby and Ku-ring-gai councils makes more sense in terms of all of the factors of community cohesion, less disruption of staff, less complexities with existing contracts (like garbage services) and preserves historical linkages. If the NSW Government does not progress local government reform further it must act to rectify the consequences that have impacted on Hornsby Shire Council. By the Government's actions and inaction, its strongest supporter of local government reform has been left weaker with less scale and capacity than before, and it is the only local government area where this has occurred.

Hornsby Shire Council was always opposed to the loss of Epping to City of Parramatta Council. We argued against the loss of suburbs south of the M2 Motorway, which had always been part of our Shire, and we were very disappointed by the NSW Government's decision. However, we accepted that decision because the bigger picture led to larger councils and significant savings for ratepayers that would more than offset the financial loss associated with the excision of the area south of the M2 Motorway.

The NSW Government's failure to amalgamate Hornsby and Ku-ring-gai councils means the suburbs south of the M2 Motorway should be returned to Hornsby Shire where they belonged prior to the NSW Government's boundary adjustment with the City of Parramatta Council. If this does not happen, the NSW Government's local government reform agenda has done nothing for the people of Hornsby Shire. It will have taken one of the best performing councils in NSW and decreased its scale and capacity which is the antithesis of the Government's own aims and policies.







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