



INNER WEST COUNCIL

Administrator's End of Term Report

**Prepared by
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Administrator
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1. Purpose of report

This report has been prepared to outline the progress which has been made over the first 16 months of the establishment of Inner West Council. It catalogues the key achievements made and challenges faced, as well as what I regard to be some of the key merger-related priorities which the first elected Inner West council will need to deal with.

At the outset, I should state the obvious: this has been a very challenging merger to implement. Reasons for this include the understandable apprehension that the community and elected councillors faced with the dismissal of three councils which were largely performing well and which had, in the words of the community, “not done anything wrong”. In the case of the Inner West, this was overlaid and heightened by very substantial State Government infrastructure and planning activity in the area, most notably WestConnex which was increasingly making its presence felt as the merger got underway. The perception that the merger and the desire to gain unimpeded progress of projects such as WestConnex were in some way intertwined was pervasive and has dominated the agenda for me over the 16 months of my administration.

I have now been involved in the local government reform agenda for over two years – first as a delegate where I undertook inquiries into merger proposals for the Northern Beaches and Central West, and most recently as Administrator of Inner West Council. My view on local council mergers is that they should not be pursued unless there are very clear benefits that flow to the local community from the merger. And these benefits need to be specific and measurable. Having now been intimately involved in this activity for some time my view is that benefits need to be demonstrable in five key areas:

1. There needs to be clear **financial benefits** to the community from the merger, primarily stemming from reduction in or elimination of any budget deficit; rationalisation of senior executive staffing levels; more efficient (not less!) service provision; and savings on procurement. These savings must then be reallocated to the benefit of the community, either in the elimination of a budget deficit, improved services or enhanced delivery of capital works.
2. The new council needs to **deliver services** to the community which are aligned with community needs and which are financially sustainable.
3. The new council needs to deliver increased **infrastructure expenditure** in order that infrastructure backlogs are reduced or eliminated, new community facilities provided and that the community sees tangible benefits from the merger.
4. Critically, the new council needs to use its increased size and scale to have **a stronger voice** for the community in influencing State and Federal Government planning and infrastructure priorities and in achieving enhanced policy outcomes for the community. In effect, it needs to operate as a *regional* level of government, rather than at a parochial level, in achieving action for the community on key priorities. In the case of Inner West, this means better outcomes on key community priorities such as WestConnex; urban renewal corridors and precincts including Sydenham to Bankstown, Bays Precinct and Parramatta Road; affordable housing; public transport provision; and protection of our urban forest.
5. The new council needs to **engage with its community** in a mature and nuanced way which reflects the differing needs which exist across the community. We need to be able to ensure that the community can shape the way in which Council delivers its services and the policies it operates under.

This report therefore focuses on the progress made against these five key priorities in the first 16 months of the merger, as well as the work which remains to be done.

It also reviews the significant organisational merger which has occurred under the guidance of Interim General Manager Rik Hart and his Leadership Team.

2. About Inner West Council

Inner West Council was proclaimed on 12 May 2016 and combines the former councils of Ashfield, Leichhardt and Marrickville. A map showing the location of Inner West Council within the region is at Figure 1.



Figure 1 – Regional location of Inner West Council

The Local Government Area (LGA) has an estimated population of 187,576 people, with the area spanning 36km² from the banks of Parramatta River at Birchgrove in the north east, to the Cooks River at Dulwich Hill in the south west. The population density is 53.45 persons per hectare, with an average household size of 2.33.

The Gadigal-Wangal Peoples of the Eora Nation are the traditional custodians of the Inner West LGA. It is a unique area with a special beauty that comes from natural and built environments, and a rich cultural heritage. The people of the Inner West take great pride in their community and have a strong Inner West identity.

The Council area includes the suburbs of: Annandale, Ashfield, Balmain (including Balmain East), Birchgrove, Dobroyd Point, Dulwich Hill, Enmore, Haberfield, Leichhardt, Lewisham, Lilyfield, Marrickville, Petersham, Rozelle, Stanmore, St Peters, Summer Hill, Sydenham, Tempe and parts of Ashbury, Camperdown, Croydon, Croydon Park, Hurlstone Park and Newtown. It is divided into five wards of Ashfield, Balmain, Leichhardt, Marrickville and Stanmore.

Statement of Vision and Priorities

The Department of Premier and Cabinet required all newly merged councils to prepare a Statement of Vision and Priorities to “provide high level guidance for the early period of the new council, until the adoption of the first community strategic plan”.

The priorities were identified following a three-month period of community engagement and an eight-week period of community review. Over 1,700 people participated in the development of the Statement of Vision and Priorities including via a telephone Community Satisfaction Survey undertaken by Micromex Research.

The priorities are:

- Priority 1 - Planning and Development
- Priority 2 - Transport
- Priority 3 - Social vitality, creativity and quality of life
- Priority 4 - Sustainability and the environment
- Priority 5 - One council
- Priority 6 - Local industry and business
- Priority 7 - Advocacy
- Priority 8 - Local democracy

An interim vision was also established as part of the process that captured the new identity of the newly created Council and its community. The interim vision is as follows:

“We are Inner West, land of the Gadigal and Wangal peoples, whose rich cultures, heritage and history we acknowledge and respect. Together we are an inclusive, passionate, creative, vibrant community united in our desire to build a great future for all who live and do business here.”

The interim vision will be reviewed as part of the development of the Community Strategic Plan for consideration by the incoming elected Council.

Interim Corporate Identity and Consolidated Communications

Inner West Council launched an interim corporate visual identity on day one of the merger, allowing the community to identify their new local government entity immediately. This was done by internal staff and at minimal cost to the community. Council consolidated all communications platforms, including the community newsletter, e-newsletter, social media platforms, notification of development applications and other advertising and Council Column in the local newspaper.

An interim website was launched on day one of the merger, which has continued to be populated with clean and consolidated content reflective of the service delivery of the new Council. This content continues to evolve as service areas integrate. Council also initiated a robust consultation process with the local community in the creation of the new built-for-purpose website. This consultation informed the creation of a comprehensive request for tender which will allow delivery of phase one of an enhanced website later this year.

3. Financial benefits

Much of the debate concerning council mergers focuses on the financial benefits which can be achieved for ratepayers through the reduction in duplication and greater efficiencies which come from increased scale. Whilst in my view these should not be the only, or even the main benefit, it is clearly important that there be financial benefits for ratepayers. This is not to underestimate the substantial start-up costs of implementing a merger which in the case of Inner West Council are largely being met through a \$10 million Merger Implementation Grant provided by the State Government.

Deficit elimination

Whilst our constituent councils were largely financially sound, Inner West Council inherited a \$4.8 million budget deficit on establishment. Within our first 12 months we have eliminated this deficit and our 2017/18 budget is fully funded. This is a very significant turnaround in our first full financial year and has been achieved by prudent financial management rather than any service cuts or substantial new fees and charges. Our 2017/18 budget maintains all existing service levels to the community and will deliver a very substantial capital works program of \$65.5 million, almost \$20 million more than the combined best our constituent councils with their smaller scale were ever able to achieve.

Merger savings

In our first full year of operation we have achieved savings of \$2.5 million from a reduction in executive salaries (\$1.5 million) and savings on insurances (\$1 million). In the executive area (Tier 1 and 2), we have gone from a staff of 14 for the three constituent councils to a staff of four. These savings are annual savings which are locked in every year going forward. The annual savings of \$2.5 million have initially been spent on eliminating a budget deficit but will ultimately go towards enhanced services.

Whilst it can be argued that \$2.5 million in savings is relatively modest for an organisation with an annual budget of \$250 million, it is a good start. Our projection is that over the first 10 years of the merger we are on track to realise savings of \$60 million if current operating policies are maintained. As we have so far locked in \$25 million of the projected 10-year savings of \$60 million, there clearly remains more work to be done by Council on achieving the additional savings going forward.

Stronger Communities Fund

Council received \$15 million from the State Government for community projects (\$1 million) and major infrastructure projects (\$14 million) under the Stronger Communities Fund. This funding is to be spent over three years.

During the first year of the new Council, \$346,500* was allocated by Council to community projects under the Stronger Communities Fund. Projects funded included:

- upgrade of the kitchen at the Pratten Park Bowling Club - \$50,000
- technology improvements at the Leichhardt Women's Community Health Centre - \$15,000
- sustainability improvements at the Marrickville Youth Resource Centre - \$20,000 in 2016 and \$27,000 in 2017
- a truck upgrade for the Bower Reuse and Repair Centre - \$13,500
- playground upgrade for the Styles Street Community Long Day Care Centre - \$10,000
- equipment for technology driven life skills program for people with intellectual disabilities for TechKNOWLEDGE - \$42,000
- expansion of ANTaRs Sea of Hands program, which aims to raise awareness of reconciliation and Aboriginal history and culture - \$25,000
- an independent cinema within the Addison Road Community Centre - \$28,500
- community amphitheatre and green outdoor classroom at Ashfield Boys High School - \$19,500
- refurbishment of the Newtown Neighbourhood Centre - \$15,000
- improvements to the Ashfield Baptist Church community hall - \$12,000
- upgrades to meeting facilities used by local residents to create a 'green space' at Village Church, Annandale - \$20,000 (this project was deferred to 2017 pending receipt of additional grant funds from another funding source)

*Note: Total funding was later reduced to \$297,500 due to the withdrawal of a \$49,000 disability access improvement project for Articulate at Leichhardt.

These projects are making a significant difference to the community groups which have been funded. This would not have occurred if the merger had not happened.

The second release of grant funding during the 2017/18 financial year will see a further \$352,500 allocated, with the remaining \$350,000 being released in 2018/19.

The remaining \$14 million which is for Council to allocate to major infrastructure works and upgrades is funding a large program of 55 major infrastructure projects in the following three areas:

Transport Infrastructure - \$3,205,000

Sustainability and Recreation - \$6,225,000

Community Facilities - \$4,570,000

These areas were prioritised for funding by the Inner West community following an extensive engagement program, including a brochure to all households in the second half of 2016. It is a once in a generation opportunity to reduce the infrastructure backlogs which Council inherited on establishment. Only a small proportion of this funding was spent in 2016/17 (\$144,703), with the balance to be spent in the next two financial years.

Investment Policy

As well as being prudent in our financial management, as a Council we are very mindful of our obligations to the environment and sustainable investment practices. Council inherited a substantial commitment in this area from our constituent councils, some of which had strong non-fossil fuel preference investment policies and portfolios.

At our 23 May 2017 Council meeting, I adopted a new Investment Policy which has a target of a 70% non-fossil fuel investment portfolio by June 2018. This will make us comfortably the leading non-fossil fuel investment council in NSW. Recent figures show that our non-fossil fuel investment share has reached 71% of our investment portfolio. Our aim will now be to sustain this level going forward.

Overall, Inner West Council is in a much stronger financial position after the first 16 months of the merger with:

- an inherited budget deficit of \$4.8 million cleared in the first 12 months;
- \$2.5 million in annual savings in executive salaries and insurances locked in;
- an extra \$14 million in infrastructure funding received from the State Government, to be spent over three years.

These are tangible benefits which would not have been achieved if we had continued to exist as three separate and smaller councils.

4. Enhanced services

One of the most important tasks I faced as an Administrator and which Council as a whole faced, was to ensure that from day one there was no disruption to, or reduction in, the vast array of services we provide. Councils are fundamentally service organisations and the services we provide – from domestic waste collection, to child care, to maintenance of our parks and gardens, to determination of residents' Development Applications – needed to transition seamlessly to the new council.

I am pleased to report that we have from inception been able to provide the same level of services as the constituent councils. Critics of the merger predicted widespread service disruption as Inner West Council went through the organisation reform process and growing pains that all new organisations face. The reality is that through our dedicated and professional staff we have maintained all service levels across the new LGA, with no increase in complaints and no systemic issues reported. This is reflected in our initial community satisfaction survey which found 85% of our residents were satisfied or somewhat satisfied with Council's overall performance (Micromex 2016). This survey has recently been repeated to assess progress in community satisfaction. Preliminary results (Micromex 2017) show that our overall satisfaction rating has increased to 90%, representing a pleasing and significant improvement over a short period of time.

As reported earlier, our budget has maintained funding levels to ensure all services can continue to be provided at the same level as our constituent councils for 2017/18.

While our ability to maintain services from day one has been pleasing, the reality is that Council will need to critically look at the services it provides and the disparities in their provision across the LGA. Our constituent councils had quite different service levels on a whole range of services; and while maintaining these disparities in the short term is appropriate, it will be necessary at some point to seek to harmonise services (unless compelling reasons exist for geographic variation). Some top of mind examples which illustrate the point include:

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- Leichhardt and Marrickville service areas provide Council funded childcare services, whereas Ashfield does not;
 - Council mows resident nature strips in the former Leichhardt and Marrickville on a scheduled cycle, whereas it does not in the former Ashfield except in specific limited circumstances;
 - Differing service standards for periodic kerbside waste collection services across the LGA;
 - Council continues to operate under three separate and distinct local environmental plans governing what sort of development can occur.

Whilst we could have proceeded more aggressively in the area of service harmonisation, I took the conscious decision that this was a task best performed by an elected Council in consultation with its community. The sheer scale of the task also made it more appropriate that it be done after creation of a single administrative organisation given the substantial organisational merger work which has been required of staff over the initial period.

This is not to say that there has been no progress in this area. Council has fundamentally reformed its Development Application system as we were not happy with the standard of applications lodged, processing time disparities across the three constituent councils and the length of time it was taking “mums and dads” to get approval for home alterations and additions.

In May 2017, Council adopted a new Development Advisory and Assessment Policy which focuses on a consistent and improved pre-DA process in order that applications lodged are complete, “approvable” and less likely to generate substantial objections from neighbours and the broader community.

While the policy and changes to practice have only been in place a short time, we are already seeing positive signs. The percentage of housing approvals determined in less than 40 days has improved from 20% in 2015/16 to 45% in our two service areas where we have eliminated backlog applications. Overall, we have reduced backlog applications older than 120 days by 55% since 1 January 2017.

In a related move, Council also introduced the Inner West Planning Panel (IWPP) to determine major and controversial development applications, building on the successful model which was in place at the former Leichhardt Council. The IWPP de-politicises planning decisions, ensuring they are made on merit by independent experts following consideration of community submissions. The State Government has recently announced that it is mandating such panels in Metropolitan Sydney.

Other areas where Council has made more modest, but important, changes to service provision include:

- Customer service centres enable the majority of transactions, including paying of rates and return of library books to occur across the LGA;
- Swimming passes can be used interchangeably across pools (with the exception of those in the Marrickville service area which are privately operated);
- Outdoor dining fees have been harmonised across the LGA to ensure a level playing field for businesses.

Council’s Group Managers have commenced undertaking service reviews in their areas which look at the services currently being provided, the variations which exist and options for service

harmonisation. These service reviews will be an important priority for the new elected Council in its first term.

Overall, Inner West Council's progress on service delivery is pleasing. We have continued to provide all services at the level the community is used to whilst navigating the difficult task of an organisational merger. We have reformed our Development Assessment process in the interests of speedier processing of applications, especially those involving domestic alterations and additions, while improving certainty for neighbours and others affected by development proposals. We have also made more modest but important changes in other areas as we move to being truly a single council.

It is fair to say though, that there remains a significant amount of work to be done by staff, the new elected Council and the community in service harmonisation across the new LGA.

5. More infrastructure

Communities expect councils to deliver capital works spending in line with community needs, including ensuring that infrastructure backlogs do not occur or are minimised.

On establishment, Inner West Council inherited an infrastructure backlog of \$31.3 million – this being the amount needed to be spent to bring our existing infrastructure up to a satisfactory level. Additionally, there were a number of significant community commitments, including the construction of new childcare centres in Leichhardt and Marrickville, a new library in Marrickville, a refurbished Aquatic Centre in Ashfield, reconstruction of a major section of the Bay Run, improvements to the Ashfield Town Centre, upgrade of Bells Store at East Balmain and a range of large scale park upgrades and other significant capital works.

This is one area where I believe the new Inner West Council is unambiguously achieving stronger results. Figure 2 shows the trend in capital works expenditure over the last five years and forecast for 2017/18. In the 2016/17 financial year, our first full financial year of operation, preliminary unaudited figures show we have delivered \$68.8 million worth of capital works for the community. This compares with a maximum annual spend ever achieved by our combined constituent councils of \$46.8 million.

Some key projects delivered in 2016/17 include King George Park amenities upgrade, Centenary Park upgrade, Camperdown Park upgrade, St Peters Town Hall upgrade, Greenway Cycleway from Marion Street to Parramatta Road, Princes Highway cycleway bridge crossing and Marrickville Park upgrade. Council also continued its focus on infrastructure renewal, spending more than \$7 million on road re-sheeting. In the high profile area of parks and sporting fields we spent nearly \$12 million in 2016/17, compared with \$5.6 million spent by our constituent councils in 2015/16.

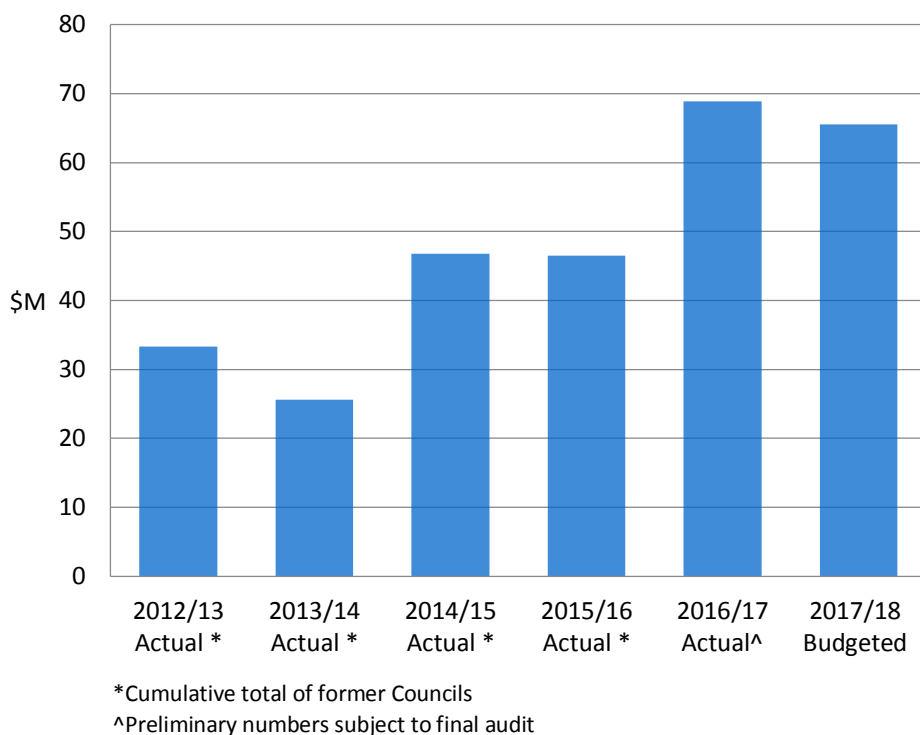


Figure 2 – Annual Capital Works Spend

We are budgeting a similar level of capital works expenditure for 2017/18, with a forecast spend of \$65.5 million, again significantly exceeding what has been achieved historically. This will include commencement of the long awaited Ashfield Aquatic Centre renewal project following a very well run community consultation program earlier this year and commitment to the full funding required. We will also start to clear some of our inherited infrastructure backlog, with the \$14 million Stronger Communities funding having been allocated to infrastructure renewal priorities.

The \$22 million more we have spent in our first year of operations compared with the maximum our constituent councils spent, means \$22 million more has been spent on our parks, sporting fields and facilities, roads, footpaths, community facilities and aquatic centres than would otherwise have been spent. This is a fantastic result for our first full year of operation which has largely been achieved as a result of our enhanced organisational delivery capability. Whilst we received \$14 million from the State Government towards major infrastructure projects as a result of the merger, the reality is that less than \$150,000 of this was spent in the 2016/17 financial year and most of it remains available for this current financial year and next.

6. A stronger voice

In my view the capacity of a larger council to influence key policy, planning and infrastructure decisions is the most compelling reason for having a new larger council. Frankly, if you are not able to demonstrate success in this area then council mergers are not worth doing.

Success in this area is a two-way street and relies on councils taking a mature approach to advocacy – but equally, if not more importantly, on other tiers of government (especially State Government) being more prepared to engage with councils as partners rather than as adversaries. A council such as Inner West Council, representing 187,000 people in a key strategic part of Sydney, should be seen as a regional government, not just a local council, and its views taken seriously.

Whilst I think we have made good strides in this area, the jury is out. There is evidence that the State Government is taking the views of Council seriously in some areas and responding positively; in other areas, there has been a failure to adequately engage with the legitimate concerns of Council and our residents.

WestConnex

WestConnex is the biggest transport infrastructure project currently occurring in Australia, with an estimated project value of \$16.8 billion. Inner West Council's residents are among the most impacted by the project, with its impacts currently being acutely felt in Haberfield/Ashfield and St Peters/Tempe, and due to be rolled out next in the Rozelle/Leichhardt/Lilyfield area.

Council has advocated a mature two-part approach. With almost 60 per cent of our community opposing WestConnex (Micromex, 2016), Council's principal position has been opposition to the project given our strong view that urban motorways are an outmoded transport option and that we should, instead, be investing in public transport solutions. However, recognising that the project is under construction, Council has at all times been interventionist in trying to get improved management of construction and other impacts on our most affected residents and communities. To this end, the monthly WestConnex Community Liaison Forum I established has, I believe, made a very positive contribution to ensuring that our most impacted residents have access to Council and key regulatory authorities (Department of Planning & Environment and EPA) and a sympathetic audience for their concerns.

Whilst we have clearly not been successful in getting the WestConnex project stopped, the reality is that our chances of achieving this in the face of the State Government's unequivocal commitment to the project, and its rapid rollout, was unlikely. We have, however, achieved a number of significant improvements for the community from the project rollout, including obtaining a dedicated in-house Compliance Officer who is working hard to ensure the project complies with its conditions of approval; gaining a guarantee that all residual lands associated with the project will be given back to the community; securing undergrounding of the proposed Rozelle interchange; and abandonment of plans for what would have been a highly invasive construction site next to Sydney Secondary College at Leichhardt.

However, I remain very disappointed that Sydney Motorway Corporation (SMC) has not taken up opportunities to work more constructively with Council and the community on the impacts its project is having. Council pushed hard for the establishment of the State Government's WestConnex Community Reference Group, but in reality it has not proven successful and is delivering little benefit for residents. This is in large part because of SMC's failure to bring appropriate technical level representation to the meetings and to engage proactively on how the project's significant impacts might be better managed.

Parramatta Road public transport

An area where Council is having greater success is in the area of public transport solutions for Parramatta Road. In late 2016, the State Government released ambitious renewal plans for Parramatta Road which included 27,000 new homes and 50,000 new jobs; yet without a proper public transport solution, the Government only committing to a rapid bus system.

Inner West Council in conjunction with the City of Canada Bay Council, undertook a public transport options study for Parramatta Road which conclusively demonstrated that the proposed State Government option of reliance on diesel-fuelled buses did not represent an appropriate

transformative transport solution. Council's study instead recommended the introduction of a Guided Electric Transit System (GETS), leading technology which is increasingly being introduced in many European and North American cities. The technology has many similarities to and advantages of light rail, but without the high construction and disruption costs.

In a big win for Council, we are finalising arrangements with the State Government to undertake a joint preliminary feasibility study into the proposal. This is tangible evidence that an authoritative piece of work undertaken by Council and maturely advocated is being successful in persuading the State Government to revise its approach on a critical planning and infrastructure issue.

Affordable housing

One of the most critical issues facing the Inner West is a lack of affordable housing, with the traditional demographic of the Inner West struggling to find affordable rental housing. The reality is that there are very few affordable housing opportunities for people on very low, low or even moderate incomes in the Inner West. Key workers such as police, teachers, nurses, even our own Council staff, are being forced to live long distances from their place of work, with all the social consequences that entails.

Following extensive community consultation on a draft Affordable Housing Policy which was strongly supported by the Inner West community, Council introduced its city-leading policy in March 2017. The policy is strongly founded on economic viability principles and targets the gain in land value achieved when land is rezoned to a higher density residential use. It requires 15 per cent of units on large private sector sites to be provided for affordable housing and 30 per cent on government sites.

Council is currently working with the Department of Planning and Environment to obtain recognition of the policy in State Environmental Planning Policy (SEPP) 70 – Affordable Rental Housing, which would enable a transparent and streamlined approach to the delivery of affordable rental housing. While progress is being made, this is an area where Council and the community are impatient for action and I would hope that we see ratification of Council's evidence-based policy in the very near future.

Protection of our urban forest

Another area where we are using our stronger voice is in the protection of our urban forest, or street trees. Last winter Ausgrid and its contractors, operating to the letter of a very stringent pruning code, performed a very significant cut to many of our street trees. There was widespread community concern with the outcome, resulting in over 100 complaints. As a result Council held a series of meetings with Ausgrid at the highest level, with me as Administrator meeting with Ausgrid's CEO and senior staff to press for a much reduced clearance in future.

Council has been pleased with the responsiveness of Ausgrid which has agreed to and is currently implementing a much reduced cut this winter, as well as committing to work with Inner West Council on a bespoke approach to our street trees in the future. The improved community response to the reduced approach, with only one complaint received this winter, reflects the successful negotiation of the new approach and that a State Government agency was prepared to be responsive to the legitimate and maturely made claims of a larger Council.

Completing the Greenway

Council has also been successful in securing a substantial boost to funding of the Cooks River to Iron Cove Greenway, perhaps our most iconic regional active travel and open space corridor. Early in the

term of Administration, Council secured a commitment of \$7.25 million from Transport for NSW. This was matched by a \$7.25 million commitment by Council, enabling completion of the remaining 3.2 kilometres of the Greenway shared path, from Parramatta Road to the Cooks River, by 2021. This is a long delayed and much needed outcome given the scale of urban renewal occurring in the Inner West. While our constituent councils and the Inner West community had campaigned hard for this funding commitment for over a decade, the reality is that the State Government was attracted to a project which now largely spans a single local government area (rather than one which previously spanned four council areas, including Canterbury), and which will be implemented by a council with the capacity to fund and deliver a complex active transport project of this scale and complexity.

Overall, while it is early days, there is evidence that Inner West Council is achieving more from our stronger voice than our three predecessor councils were. However, there are many areas which remain future tests for Council and the State Government. These include Council's submission on WestConnex Stage 3 which proposes an alternative approach (seemingly ignored in the just released EIS), the revised Sydenham to Bankstown Corridor Urban Renewal Strategy, the Bays Precinct and inclusion of Council's Affordable Housing Policy in SEPP 70. Council will need to continue to argue its case in a mature way and with sound evidence if it is to continue to reap benefits for its residents in this area, but I am hopeful that the potential to get better outcomes can continue to be exploited.

7. Community engagement

Councils are very mature in engaging with their communities and this was a very strong hallmark of our predecessor councils.

One of the unique circumstances that I was presented with as Administrator was how to work with the 36 councillors who were made unemployed as a result of the Government's approach to merger implementation. The approach I took was to establish an **Implementation Advisory Group (IAG)** comprising the former Mayors and Deputy Mayors to oversee the merger implementation, and a **Local Representation Advisory Committee (LRAC)**, comprising all former councillors who demonstrated an interest in continuing to represent their communities during the merger period. In the end, 28 councillors signed up to this committee. The committees met monthly throughout the merger period.

It is fair to say that the way these committees have operated in the Inner West has been quite different to the way they have operated in the other merged councils. The IAG has had visibility of all key aspects of the merger implementation through a monthly report on the Integration and Innovation Plan and the LRAC has received written reports for its consideration and advice on all key policy and strategy matters before they are considered by Council.

Whilst there was a high degree of cynicism in the early phases of the committees, they have in my view proven their worth in facilitating the merger and ensuring continued community representation on key Council decisions. They have also given prospective councillors a head start in understanding the issues confronting a new merged council and the key policy and other matters in play.

One of the key findings from our first community satisfaction survey (Micromex 2016), was that the community did not feel they had a great ability to influence Council's decision making. There are a number of reasons for this, most obviously the dismissal of elected representatives (which I have attempted to resolve through the IAG and LRAC committees described above), but also the fact that

the committee structures of our constituent councils dropped away with proclamation of the new Inner West Council.

In response to this, I established a series of **Strategic Reference Groups** earlier this year to provide an outlet for motivated community members to have a real say in the policy setting of Council. This followed an extensive Expression of Interest process where 160 applications were received. These groups span Aboriginal and Torres Strait Islander; Social Inclusion; Economic Development; Housing and Affordability; Transport; Environment; Planning and Heritage; and Young Leaders.

I believe this to be a very good model for ensuring that the community contributes to Council at the policy and strategy setting level, bringing expertise as well as motivation. Whilst councils have historically established committees at a quite fine grained level and often on operational matters, my view is that community input is most valuable if it helps to shape the big strategy and policy things we do, leaving our professional and capable staff to run the day to day activities of Council.

Council, of course, continues to engage the broader community who might be interested in an array of things we do or just specific matters which impact them or their neighbourhood more directly. This is done through a range of engagement activities and during the period of Administration (to 8 August 2017) we engaged with more than 120,000 people over 130 consultation activities. Some key engagements included:

- Statement of Vision and Priorities
- Stronger Communities Fund Major Projects Program
- Community Strategic Plan
- Ashfield Aquatic Centre renewal
- New Council website
- Flood studies for Ashfield and Marrickville service areas

Council also distributes a fortnightly e-newsletter (distribution 5,300), Your-say e-newsletter (monthly distribution to 2,500), Inner West Courier weekly column (distribution 87,000) and has 9,000 Facebook followers.

One other group that is worthy of special mention is Council's WestConnex Community Liaison Forum. This group, which I chaired and which meets monthly, has I believed worked extremely well in ensuring a sympathetic audience for residents' real concerns with the project and in leveraging improved outcomes from State Government agencies. The group itself has approached all candidates in the forthcoming election to support the continued existence of the forum and I wholeheartedly endorse that view.

8. Organisational merger

It is important to also comment on the less glamorous but equally important work of putting in place the organisational changes which are needed to convert three organisations into one.

In large part I have seen my role as Administrator as being to manage the external political environment and create the clear air to allow the Interim General Manager, his Executive and our excellent staff to do their job of creating a single new organisation. Whilst this has not always been easy, the organisation itself has substantially merged with some key milestones being the adoption of a new organisational structure; co-location of staff; progressive implementation of a new ICT system; and steps towards the elusive activity of building a new organisational culture.

Organisation structure

As the Administration period comes to a close, Council is in the final stages of appointing all staff to the permanent Inner West Council organisational structure. The organisational structure is based on 18 Service Units, with the structure of each being determined by a 'ground up' collaborative process, giving all staff a say in how their teams could best come together to improve service delivery and support the larger Inner West Council area. Extensive consultation, including with staff unions, was undertaken on the organisational structures. At the time of finalising this report, the leadership team and management tier are in place, with almost half our team leaders and operational staff also settled into permanent roles. The full organisation structure is due to be finalised by October 2017.

Co-location

One of the more transformative elements of building a merged council is the co-location of all teams together under their respective Group Managers. Supported by a robust consultation process, this is bringing all staff from the former councils into their new teams, as well as assisting to build Council's new culture and improve productivity. Co-location of all indoor staff took place from June to August 2017, involving more than 600 staff moves across the Council's four main worksites at Ashfield, Leichhardt, Petersham and St Peters.

One of the key issues that will impact the organisation moving forward is determining a long-term accommodation strategy for Inner West Council. Administrative staff are currently dispersed across four separate locations (albeit within their service unit teams) and the advantage of all staff operating out of a single main administrative and civic centre building (with smaller public service centres in the other locations) should be considered.

A study is currently underway that looks at the long-term accommodation needs for staff and Council and provides a robust study of the options available. This study, along with the options available, will be presented to the new elected council for an informed decision on the accommodation of staff.

ICT system

Of all of the infrastructure required to bring together three separate organisations, integrated ICT systems are the most critical, impacting how information flows across the organisation and ultimately efficiency and productivity. At the time of the merger more than 250 systems were in use across the three constituent councils and only a very small proportion of the systems were comparable.

Since then much ground has been covered to bring the three organisations into one from an ICT perspective. Infrastructure is in place joining the three former council networks, facilitating communication across all sites and staff mobility. A number of key drivers have been central in the ICT decision making processes, including improved services, cost and operational effectiveness. Wherever possible cloud based solutions are being implemented to improve flexibility, mobility and effective disaster management.

Council's single largest ICT project is a new enterprise wide management system, known as One Council. The two year implementation program is on track to be completed by December 2018 and will see most Council functions operating out of a single integrated system, including core functions such as customer request management, rates, development applications, Council's financial reporting and management of all of our community assets. Having one integrated system reduces

costs and ensures proper and full integration across functions, as well as expanded opportunities for online services, that would be difficult and costly otherwise. Another important benefit of the One Council system once fully implemented, will be access to real time information live on Council's website, enabling residents to track the progress of their service requests live, increasing accountability and transparency. The first release of One Council, supporting integrated financial management across the Council was completed in July 2017 in time for the start of the financial year.

Culture

One of the greatest challenges in merging three organisations is creating a new cohesive organisational culture which resonates with staff. Culture is a somewhat elusive but incredibly vital part of organisational reform and development and is being given very careful attention by the new Inner West Council.

Council undertook its first employee engagement survey in November 2016, shortly after appointment of a new Interim General Manager and before any staff had been permanently appointed to the new Inner West Council organisational structure. This was, perhaps, a time of maximum stress for Council's staff. This benchmark survey provided a baseline engagement score of 55%, reflecting the level of emotional attachment that employees had to the new organisation at that time. Importantly, the survey also showed that 65% of staff were committed to the success of the organisation, providing a solid platform from which to build.

A pulse test will be undertaken later in 2017 to measure progress and it is confidently anticipated that there will be an increase in engagement and satisfaction as the process of the merger beds down and staff feel more reassured in their work environment.

Council commenced an extensive staff engagement process in late 2016 to involve all staff in identifying the new Inner West Council's first organisational values. These values are a central part of building the new organisational culture from the ground up and establishing new shared expectations, behaviours and approaches to work.

Over 1000 staff participated in values identification workshops, voting on the final values, and in videos and storytelling to bring the new values to life. The organisational values as determined by the staff are Flexibility, Integrity, Respect and Spirit of Team.

Governance

There have also been some very significant organisational governance measures introduced during the Administration period, including the live-streaming of Council meetings and the introduction of a Council Ombudsman.

In the spirit of open, accessible and transparent government, live streaming of Council meetings commenced from December 2016. An archive of recorded meetings is also available for community reference. In the first six months of operation Council averaged 190 views of its webcast for each meeting, effectively tripling the audience for Council meetings. Live-streaming Council meetings is an important part of making councils more modern, relevant and accessible and I strongly recommend the practice be retained by the incoming council.

A further governance initiative I approved is the establishment of an Internal Ombudsman as a shared service with Parramatta and Cumberland councils. The Internal Ombudsman enables impartial and professional investigation of complaints about corruption, misconduct,

maladministration and unethical behaviour. The Internal Ombudsman function will be operational later this year and I urge incoming councillors to support it.

9. Moving forward

Transitioning to the elected council

Preparations have been underway for some months now to ensure a smooth transition from administration back to an elected council. The Inner West local government election will take place on Saturday 9 September 2017, with a total of 15 councillors to be elected across five wards, as shown in **Figure 3**.



Figure 3 – Ward Boundaries

Council is implementing an extensive communications plan in the lead up to the election aimed at encouraging a diverse pool of candidates, high voter turn-out and a strategic focus for the new elected council.

A candidate information package, supported by briefing sessions, has been developed with an emphasis on the strategic role of councillors to ensure the Council’s assets are preserved and grow

and that Council's revenue is strategically applied to enhance the services and assets across the entire Inner West LGA.

Council has taken great lengths to ensure that as many people as possible are enrolled to vote and are aware of how they can vote, either before the election through the pre-poll facility or on election day. This includes a dedicated election page on Council's website, advertisements in local papers, messages on social media, street banners/signs and direct addressed mail out to all registered voters.

After the election, efforts will be focused on ensuring a smooth transition, including councillor on-boarding, support requirements and governance protocols for the functioning of the elected Council and its meetings.

The first meeting of the new Council, an Extraordinary Council Meeting to elect the Mayor, is anticipated to be held on Thursday, 21 September 2017. The period of Administration formally ends with this first meeting of the elected council.

Maintaining momentum

While not wishing to tell new councillors how to do their job, there are clearly some important merger-related priorities for the first 12 months of the new administration. In no particular order of importance, these are:

- 1 Continuing to support staff in their job of building an organisationally merged council. My estimate is that this task is about 60-70% complete and that the next 12 months is pivotal and will see the organisation fully merged.
- 2 Conducting and finalising service reviews in key activity areas to ensure that Council moves towards consistent service delivery across the merged area, or that variations are justified on geographic or socio-economic grounds and/or transitioned over time to a consistent basis.
- 3 Consulting on and finalising Council's Community Strategic Plan, a draft of which will be provided to Council early in its term.
- 4 Considering the outcomes of Council's property portfolio review in order to develop the most effective long-term accommodation strategy for Council and its staff.

10. Conclusion

There is no doubt that the State Government's merger program has been a tumultuous one, and nowhere more so than in the Inner West. The hard edge approach to implementing the merger, involving the dismissal of councillors, as well as the contested planning and major State infrastructure environment in which it has occurred has made it so.

Nonetheless, I think it is time for us to stop thinking we have been punished by being merged and to use it as an opportunity to realise real benefits for the people of the Inner West. We have a strong community of interest and I believe this is a solid basis for the new council to make its mark.

We have already in our first 16 months achieved many tangible benefits for the community, including:

- an inherited budget deficit of \$4.8 million cleared in the first 12 months;

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- \$2.5 million in annual savings in executive salaries and insurances locked in, with predicted savings of \$60 million over our first 10 years;
 - an Investment Policy which will make us the leading non-fossil fuel investment council in NSW, with our June 2018 target of 70% already achieved;
 - a record \$22 million more spent on infrastructure in our first full financial year, with a similar result expected in 2017/18;
 - an extra \$14 million in infrastructure funding received from the State Government, to be spent over our first three years enabling our ageing infrastructure to be upgraded;
 - evidence that we are having greater influence in major State planning and infrastructure decisions, including for Parramatta Road, affordable housing and WestConnex;
 - great progress on creating a modern, high performing customer-focussed organisation, with preliminary figures showing a 5% improvement in our customer satisfaction rating (Micromex 2017) from 85% to 90% in our first year of operation.

Whilst new councillors are likely to have a more focussed approach on the traditional issues of local government, I urge them not to forget the ability to do bigger things with a bigger council – whether it be spending more on our parks, roads and footpaths, or leveraging better outcomes from the State Government. I wish all new councillors well in the important work they have ahead of them.

Finally, I would also like to sincerely thank the 1250 men and women who make up Inner West Council for their support and camaraderie during my 16 months at the helm. I have found them to be a highly professional and responsive group and consider the Council to be in great hands for sustained success in the future.



Richard Pearson
Administrator