

De-amalgamation Assessment Report

Inner West Council commissioned an independent company to undertake a high-level cost benefit assessment of a potential de-amalgamation of the Inner West Council into its former councils of Ashfield, Leichhardt and Marrickville.

The assessment of financial, social, and environmental issues was considered, along with the potential impact on ratepayers.

It is important to note that there:

- is no prescribed methodology/process for a de-amalgamation of councils in NSW, thus the assessment report proposes a methodology and makes a number of assumptions
- were time limitations and availability issues with some information, which influenced the approach and depth of analysis.

Some of the principal methodologies and assumptions used are:

- to re-establish the three former councils as if the merger had not occurred
- identify ongoing changes in costs, benefits, services, functions, compliance obligations since the Inner West merger
- undertake a cost and benefit assessment based on the current service levels of Inner West Council
- develop a distribution approach appropriate to each type of revenue and expense and allocate to the de-amalgamated councils.

The report found that a de-amalgamation of the Inner West Council to reinstate Ashfield, Leichhardt and Marrickville Councils would have the following indicative financial impacts:

- one-off de-amalgamation costs - \$26.2 million
- ongoing costs and benefits (net cost) - \$22.1 million.

The one-off costs largely related to information technology, transition and established arrangements for the three councils, staff redundancies, recruitment, and election costs. The ongoing net costs resulted from the major ongoing changes to costs, benefits, services, functions, and compliance obligations over the last five years. These included closed services, new or changed services, new operational/governance costs.

Some examples are Ashfield Aquatic Centre, the new Leichhardt Park childcare and Yirran Gumal ELC Steel Park facilities, an increase in verge mowing, closure of the home maintenance service and the introduction of the Emergency Service Levy to all councils.

An outcome of allocating the de-amalgamation costs and benefits is that all three councils have a significant operating funding shortfall, making them unsustainable longer-term. To fund this gap the estimated average rates would need to increase as follows:

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

With all structural changes, there are significant risks in estimating costs and benefits in the absence of a prescribed methodology.