



Are you feeling exasperated by the number of petitions and appeals that hit your email inbox? One wonders if all the effort put in by community and environmental groups and their members makes any difference to government policies. Our environment is under serious threat from actions of the NSW Government and then the Federal Government is devolving decision making to the states.

A NSW Government ecologist resigned recently and issued an open letter explaining his frustration: 'I am unable to agree that improving our environment must come as second fiddle to ensuring that any mine or gas development proceed' and further 'As a result of new major projects, it is likely we will see the extinction process accelerate for species such as the Koala and Regent Honeyeater and ecological communities such as the Warkworth Sands Woodland.'

Despite the valiant efforts of the community of Bulga in the Hunter Valley who twice won court cases against the huge Rio Tinto mine expansion next door, the company is applying for approval again now that the planning legislation has been changed to give more weight to economic benefits over environmental damage and risks.

Just this month another coal mine was approved in the highly fertile Liverpool Plains area.

The Government says they have appropriate checks and balances in place but we are yet to see any decisions that demonstrate a willingness to apply strong enforcement and a precautionary approach.

We just have to keep on trying to get our concerns heard by the politicians and hope that the party in power after the election on 28 March will do better.

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STEP EVENTS

Talk – Tuesday 14 April
**Geoff Sainty on Management of Wetlands
for Now and the Future**

Time: 8 pm
Place: St Andrews Uniting Church, cnr Vernon
Street and Chisholm Street, Turramurra

Wetlands such as salt marsh and mangroves are dynamic places at the best of times. Geoff Sainty will discuss how can we manage them in the future as our climate changes and sea levels rise.

Geoff Sainty is an honorary research associate at the Royal Botanic Gardens and a leader in the field of wetland ecology, design and management. His publications include *Estuary Plants and What's Happening to them in South-East Australia*, *Burnum Burnum's WILDthings* around Sydney and *Waterplants in Australia: A Field Guide*.



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Walk – Sunday 15 March, Sheldon Forest

Time: 9.30 am for 9.45am start
Length: 1.5 to 2 hours
Grade: medium
Meet: corner of St Andrews Drive and Troon Place, Pymble
Bring: Water and sturdy walking shoes
Contact: Andrew Little (9924 7212 after 7.30 pm, aalittle@optusnet.com.au)

A pleasant walk through Coachwood gully rainforest, dry sclerophyll, STIF and BGHF. If time permits we will examine the recent environmental works in upper Sheldon Forest. Booking recommended and refreshments provided.

Walk – Sunday 17 May, Rocky Creek – Gordon Creek (final details to be announced)

This walk covers a wide range of vegetation communities including gallery rainforest, tall open forest, dry sclerophyll, mangrove and salt marsh with some attractive views of Middle Harbour. The opening of a track crossing Gordon Creek allows for full appreciation of this beautiful area.



South view of Middle Harbour through the trees

OTHER LOCAL EVENTS

Clean Up Australia Day – Sunday 1 March

Time: 8.30 am to noon
Place: Thornleigh Oval
Contact: Graham jonesgra@netspace.net.au

STEP members Gail and Graham Jones will run a community clean up in our usual site covering areas near Thornleigh Oval and the entrances into Lane Cove National Park.

Volunteers are welcome. You may register at www.cleanupaustraliaday.org.au/Thornleigh+Oval or just turn up on the day. Go to the registration table near the Thornleigh Oval entrance (or on the veranda of the kiosk if the weather is poor).

Please bring walking shoes, hat, garden gloves, water and sunscreen. A pick up tool is handy if you have one. Bags will be provided for the rubbish.

Healthy Living Festival – 14 March to 19 April

Hornsby Council's Healthy Living Festival aims to promote health and wellbeing and showcase the council's diverse community groups. For more information and to book events go to <http://healthylivingfestival.com.au/>.

STEP is organising:

- Walk on Sunday 12 April at 9 am from Thornleigh Oval carpark to City View Lookout via Lorna Pass through varied forest and views of Lane Cove River. Approx 4 km, 1.5 to 2 hours. Some step climbing required.
- Weed awareness stall on Friday 20 March. Helen Worrall is hosting a weed awareness display in Hornsby Mall. Volunteers are welcome to come and say hello or help Helen explain to visitors what weeds should be kept out of our gardens to reduce weed invasion in the bush and how to remove them.

Walk for Water – 21 to 28 February

The Protect Sydney's Water Alliance and other groups have organised a walk from Cataract Reservoir to State Parliament to raise public awareness of the damage that is being done to Sydney's water supply by longwall mining under the catchment in the Woronora area and coal seam gas mining near Camden. Full details about the walk can be found at <https://www.facebook.com/events/1494059474205041/>.

The walks closer to the northern side of Sydney are as follows:

- Friday 27 February 9 am from Auburn Botanical Gardens to Ryde Park, Gladesville including a meeting with Anthony Roberts (Mining Minister) at 2 pm, then continue across Gladesville Bridge to Bridgewater Park beside Iron Cove Bridge at Rozelle (18 km)
- Saturday 28 February 10 am from Bridgewater Park, Rozelle to Hyde Park, Sydney by 12 pm and finish outside State Parliament. (8 km)

Talk for Wildthings NSW– Sunday 22 March, History of Sheldon Forest

Time: 1 to 5 pm
Place: Masonic Centre, Pacific Highway, Turramurra
Contact: Janine 9498 2402 or 9498 7608

Janine Kitson will explore the history of Sheldon Forest at Turramurra and explain why it is such an important forest for Sydney's biodiversity.

NSW STATE ELECTION

The NSW state election is not far away and we have only just found out who the Liberal Party candidate will be to replace Barry O'Farrell in Ku-ring-gai. A set of questions will be sent to local candidates by Friends of Ku-ring-gai Environment (FOKE). The responses will be emailed to members.

As far as we can tell it will be business as usual if the Baird Government is re-elected, for example:

- Communities are still being ignored as development is fast tracked as occurred with the withdrawal of information sessions for the development along Parramatta Road.
- In February a highly controversial new open-cut coal mining project near Gunnedah was given approval by the NSW Planning Assessment Commission, a move the NSW Farmers Association has condemned as 'a complete policy failure by the NSW Government to protect any of the state's high value agricultural land and water'. It also will destroy a large area of koala habitat.
- Expansion of the Moolarben Mine near Mudgee has also been approved, breaking a promise to add the nearby iconic Drip Gorge to Goulburn River National Park before approval was given.

The only recent positive news has been the decision to proceed with a container deposit scheme although details are still uncertain (see p4). Also the Government has joined The Climate Group, a global group of countries and states (including Tasmania and South Australia) that are committed to phasing out coal and carbon emissions and facilitating methods of accelerating the transition to a low carbon economy. This decision is at odds with the continuing expansion of coal mining.

The Labor Party under new leader, Luke Foley, shows some promising signs of an improvement in environment policies. Recent announcements of proposals if elected include:

- The creation of a Great Koala National Park. If established, the new national park would protect 20% of NSW's remaining wild koalas in a reserve stretching over 315,000 ha in the Coffs Harbour region.
- Establishment of a Sydney Harbour Marine Park.
- Endorsed the Planning for People Community Charter.

This Charter has been created in response to widespread community disillusionment with recent planning and development that has occurred in this State. It follows the failure of the Planning Bill to pass both houses of

parliament in 2014. The Charter has been drafted by several state-wide community groups such as the Better Planning Network, National Trust and NPA. It sets out the principles to achieve a more balanced, fairer and more accountable planning system in NSW. It is not anti-development but aims to deliver sustainable, sympathetic and more relevant housing solutions for NSW residents.

STEP'S FACEBOOK PAGE

Don't forget to have a regular look at our Facebook page. Trish is putting up some fantastic photos.

Below is a photo taken by John Martyn last August. The circumstances of taking the photo are described by John:

I've found over the years that if I go down to Long Reef in rough weather I usually see an osprey if I wait around long enough. My theory is that the fish-prey get washed by the heavy seas into the reef shallows and the birds can readily spot them.

One turned up over the Point within five minutes of my arrival. He/she had two unsuccessful dives and finally caught a bream or blackfish of about 300 gm, then soared off into the gale. But about 5 min later he/she or a different bird came back, and after two unsuccessful dives scored a bream of about 500 g (either yellowfin bream or a tarwhine) and I got some decent, though not perfect shots trying to stand still in the gale.

Long Reef is always fascinating: different experience each time you go!



Photo: John Martyn

LANE COVE MAP – HELP WITH REVISION

John Martyn has updated our map of walking tracks of the Lane Cove Valley and now it's time to check it for accuracy in the field.

If you'd like to help check walking please contact secretary@step.org.au.

BEVERAGE CONTAINER DEPOSIT LEGISLATION – AT LAST – ALMOST

Just before Christmas, NSW Premier, Mike Baird, and the Environment Minister, Rob Stokes, announced that the Government favoured the introduction of state-based container deposit legislation (CDL). They seem to favour the current proposal developed by the Boomerang Alliance. This involves the installation of reverse vending machines in shopping centres and public places where people can return drink containers and retrieve the 10 cent deposit included in the purchase price. Council kerbside recycling collections would continue to operate.

There has been a long consultative process but community support has finally pushed the Government into action. Polls have shown that 80 to 90% of NSW residents support the scheme. The main benefit of the scheme will be the reduction in litter. Individuals and community groups can raise money by collecting discarded containers. The scheme also provides a way for people living in small towns or rural areas to recycle drink containers instead of putting them into their general rubbish that ends up in landfill.

The campaign for CDL has been going for more than 10 years. Finally some concerted action started in July 2014 when the Environment Minister held talks about the litter problem in NSW's parks, beaches and rivers with the major drink companies, recycling companies and Keep Australia Beautiful (funded by Coca-Cola). Baird and Stokes then met the scheme proponents, Clean Up Australia, Greenpeace and the Boomerang Alliance.

In late November, the National Packaging Covenant Industry Association submitted its own recycling proposal to the NSW Government. This followed heavy lobbying efforts by the industry as shown by the publication of the diaries of NSW cabinet ministers in November. The industry proposal was rejected by the Government. The reasons given were that it lacked clear governance arrangements and specific detail. It also did not have the level of long-term funding required to achieve sustained behavioural change. The Environment Minister stated that the beverage giants need to make a 'far greater commitment' to reduce packaging waste litter and boost recycling.

The beverages industry has been given one month to improve its offer of an alternate scheme. It is understood the final cabinet decision will be made in February.

On 20 December the Australian Beverages Council threatened to run attack advertising against the Baird Government during the March election if cabinet voted in favour of a container deposit policy. It is understood that Labor will support the scheme so any attack may be pointless.

INTERIM CHANGES TO 10/50 CODE NOT ENOUGH

Local environment groups have been calling for a moratorium on bushfire clearing under the 10/50 Vegetation Clearing Code while the public inquiry is held to no avail. On 26 November 2014 the Rural Fire Service announced changes to the rules that reduced the clearing entitlement area in most areas from 350 m to 100 m from bushfire prone land (see *STEP Matters*, Issue 178, p6 for more information).

The continuation of wanton tree destruction is demonstrated by the item in the *Hornsby Advocate* last month about illegal dumping of woodchips; 50 tonnes was collected by Hornsby Council in a single day.

The fundamental problems with the current Code are summarised in this statement from the Nature Conservation Council:

The Code will fundamentally undermine biodiversity and protection of urban amenity, including loss of shade, views and habitat for birds, possums and other wildlife, as well as increasing the heat island effect in large towns and cities, a growing concern considering global warming. The Code is not science based and flies in the face of evidence that tree canopies can assist in sheltering homes from wind-blown burning embers generated by bushfires and that a resident tree canopy in residential areas can also mitigate violent winds associated with thunderstorms.

Some councils have applied for exemption from the Code and others have proposed amendments that, like the Government's changes to date, have tinkered around the edges of the main problem, which is the Code **undermines an effective system of assessment, advice and approval that is already in place**. It has been implemented over many years under a cooperative arrangement and with technical support provided by the Rural Fire Service to enable homeowners to undertake bush fire protection works that complement local council processes.

There is no guarantee that any council will receive an exemption from the Code and many have not sought an exemption.

With the introduction of the legislation, hundreds of trees have been chopped down for reasons other than bushfire protection, such as improving views or the supposed inconvenience of dropping leaves. While the rate of destruction has slowed it will continue as new residents move into treed areas and take advantage of the opportunity to remove a tree that was enjoyed by the previous owner.

We will continue to fight the legislation.

VANISHING BIG TREES PUTS URBAN WILDLIFE IN PERIL

The reasons for concern about the loss of old trees under the 10/50 Code are demonstrated by the research described below.

Recently the Australian Research Council Centre of Excellence for Environmental Decisions (CEED) published a media release commenting on research that highlights the serious consequences of tree removal for the wildlife that is an integral part of life in Sydney. The comments are made by co-researchers, Darren Le Roux and Dr Karen Ikin, both of CEED and ANU. Thanks to Gaye White from the Lane Cove Bushland and Conservation Society, leader of the Stop the Chop campaign, for providing the link.

Australian cities must work harder to preserve their large, old trees if we want to keep our native animals, environmental scientists have warned. Across Australia - and the world - the future of large old trees is bleak and yet large trees support many species such as birds and small mammals. As cities lose their large old trees, native wildlife that depends on large trees for food and shelter will also be in jeopardy. This calls for urgent intervention to stop declines, including reducing the potential risks posed by large trees to people and property.

Studies based in Canberra – the Bush Capital – show that Australia could lose 87% of its hollow-bearing trees in the urban landscape over the next 300 years. Under the worst case scenario, we could lose all large hollow-bearing trees within the next 115 years. This is cause for alarm, because iconic urban wildlife such as parrots and kookaburras as well as animals such as bats and some species of possum and insects and even certain plants may follow the decline of big trees.

Le Roux explains that the loss of old trees, as well as other critical habitat structures, in urban landscapes is largely due to 'tidy-up' practices that are driven by negative public attitudes. Large old trees, dead trees and branches, woody debris and shrubs that support native wildlife are often removed because of fears that branches might injure people or damage property, or because structures appear untidy or pose a bushfire risk. We are far too quick to remove habitat like large trees without first considering alternative ways to retain these structures that won't risk people's lives and property.

In a recent study, CEED researchers surveyed 55 bird species across Canberra and found that a quarter of all species were recorded only at large trees, which are typically hundreds of years old. These species include hollow-nesters, insect- and nectar-eaters and woodland specialists such as mistletoe birds, honeyeaters and superb parrots. This shows that while replacing large trees with smaller ones may be suitable for some wildlife, it still puts a wide range of species at risk of decline.

Small trees simply don't support habitat features provided only by large trees and which are required by these species to survive over the long-term. For example, it can take more than 200 years for tree hollows to form naturally. Small trees also have less peeling bark, dead branches, woody debris, flowers and nectar compared with large established trees. These features may favour anything from fungi and insects to mistletoe, bats, birds and possums. Even ground dwelling animals can benefit from rocks, litter and logs that accumulate under tree canopies.

To reverse the decline of large old trees, native trees need to remain standing for much longer than currently tolerated in urban areas, and more young trees need to be planted now for the future. We need many young and medium sized trees in urban areas because these are the trees that will replace older ones that eventually die in the decades ahead.

Instead of cutting down large old trees or removing logs, landscaping techniques can be used to separate people and public facilities like footpaths, playgrounds and benches, from these so-called 'riskier' structures and ensure the safe retention of vital wildlife habitat. Surrounding dead trees with rocks, logs, litter and native shrubs can create effective safety barriers and keep maintenance costs associated with weeding and mowing down, he adds.

We also need to change public perceptions about big old trees. Signs displaying the biodiversity values of large old trees and other key resources in public spaces will go a long way to encourage tolerance, dispel misconceptions and create an awareness and appreciation of the importance of these habitat elements.

Large old trees are an irreplaceable part of our natural heritage. Not only are they important biodiversity 'islands' in the urban landscape, but they also improve air quality, provide shade and are cultural and aesthetic icons of our cities.

The traditional urban green space is dominated by overly manicured garden-style spaces that do not necessarily benefit wildlife. We should re-think this concept and get a bit messier in our parks by retaining some of the resources that are commonly frowned upon.

References

Le Roux, DS; Ikin, K; Lindenmayer, DB; Blanchard, W; Manning, AD and Gibbons, P (2014) Reduced availability of habitat structures in urban landscapes: Implications for policy and practice. *Landscape and Urban Planning* 125, 57–64 <http://bit.ly/1ICSQbo>

Le Roux, DS; Ikin, K, Lindenmayer, DB; Manning, AD and Gibbons, P (2014) The future of large old trees in urban landscapes. *PLOS ONE* <http://bit.ly/139OZCq>

A THREATENING SPECIES – THE NOISY MINER

Residents of Sydney's suburbs cannot help but notice the abundance of the native honeyeater, the noisy miner (*Manorina melanocephala*) in their gardens and their aggressive defence of their territory against other birds of all sizes and almost anything else (eg bats, cats, koalas and cows). One wonders if they can cause damage to the ecological balance of areas where they dominate. The answer is yes. The activity of this species was listed as a Key Threatening Process under the NSW Threatened Species Act in Sept 2013 and the federal EPBC Act in March 2013.



Photo: John Martyn

What is a Key Threatening Process?

A key threatening process is something that threatens, or could potentially threaten, the survival or evolutionary development of a species, population or ecological community. Examples are pest animals, weeds, diseases or human caused change such as land clearing or climate change.

What Happens when a Process is Listed?

Once a key threatening process is listed under either the state or federal act, a threat abatement plan can be prepared but is not obligatory. Currently there are no countrywide planned actions in place for dealing with the noisy miner as it is a native species that only becomes a threatening process in particular circumstances.

Noisy Miner Habitat

Noisy miners (a medium to large-sized honeyeater 24 to 27 cm; 60 to 90 g) live in sedentary colonies of up to several hundred birds and display a complex array of social behaviours and calls. They breed cooperatively, with non-breeding individuals assisting the breeding pair by feeding chicks. They feed primarily on nectar, lerp and insects.

They are native to the woodlands and open forests of eastern Australia from far north Queensland to Tasmania and west to South Australia in areas with more fertile soils. They prefer open structure at habitat edges but will

penetrate large distances into the interior of forests if the habitat is suitable.

They have been advantaged by extensive fragmentation of woodland habitat into small patches, with high edge to interior ratio. In rural areas their prevalence has been exacerbated by land clearing that has left behind woodland remnants and narrow corridors of eucalypts and grazing that has modified the ground layer and mid-storey shrubby vegetation. In urban areas they favour open parklands and grassy yards.

They are typically thought of as a species that inhabits fragmented landscapes but they occur throughout the Brigalow Acacia bioregion of southern Queensland in contiguous remnant woodlands covering several million hectares. These forests have been disturbed by grazing, logging and burning that has simplified the habitat structure. They can dominate blocks several hundred thousand hectares in size and are often recorded more than 20 km from the nearest forest-agriculture edge.

Conversely the miners are not often found in the highly fragmented Buloke woodlands of Victoria's Wimmera so that these remnants can support a diverse assemblage of small woodland birds. However when habitat restoration programs have used eucalypt and acacia species because they are fast growing the miners have moved in.

They spend most of their time gleaning insects from branches and leaves of eucalypts, they can often be seen feeding in parks and paddocks near eucalypts but they have a preference for short grass and avoid dense tall grass or shrubs. They usually restrict this ground feeding to within 25 m of a nearby eucalypt or fallen timber upon which they can perch looking out for intruders into their territory. It is rare for other honeyeaters to feed on the ground.

Why are Noisy Miners so Bad?

Birds within colonies cooperate to defend the area occupied by the colony against almost all other bird species through aggressive behaviour, physically attacking most other birds. They may break eggs and kill chicks of other birds. Noisy miners are able to exclude almost all passerine (perching) birds that are similar in size or smaller than themselves. Birds larger than miners can be repelled but are not always attacked and may even cooperate with the miners. Tim Low cites experience of butcherbirds, crows and magpies joining into the attacks of other birds and pied currawongs foregoing meals of miner chicks to win acceptance.

As a result of their aggression miners are a very common species (often comprising more than 50% of all birds present) and are increasing in abundance, but not necessarily in

range. In the period between the publication of the first (1984) and second (2002) Australian bird atlases, the reporting rate of the noisy miner increased by 10 to 15% in some parts of their range Australia-wide. The evidence of increased prevalence was limited to sites close to the edges of forest and woodland.

The causal link between the presence of a noisy miner colony and decline in the remainder of the bird assemblage has been established through many separate experimental, statistical and observational studies. Conversely, removal of noisy miners from woodland patches generally results in influxes of small woodland birds, even without any change to habitat structure or condition. The removal of noisy miners from seven small (<10 ha) Box-Ironbark woodland remnants in north-eastern Victoria resulted in a major influx of small insectivorous birds such as the jacky winter, scarlet robin and the endangered regent honeyeater.

The loss of woodland habitat is a major cause of the overall decline in woodland birds. However the effect of noisy miner presence on the numbers of other birds is substantially greater than the effects of other recognized threats such as grazing or habitat removal in the surrounding landscape.



Box-Gum grassy woodlands on fertile soils in the Holbrook district NSW have been extensively cleared; remaining remnants are attractive to noisy miners (Photo: La Trobe Uni brochure)

Noisy miners are also believed to be culprits in the degradation and dieback of woodlands because their feeding habits do not remove as many herbivore insects as other small birds. Their small colony range reduces the pollination distribution and seed dispersal services that would be provided by other birds.

Tim Low warns that as climate change occurs, noisy miners will handicap eucalypts by reducing the mobility of their pollen. To produce seedlings with a future, trees will need pollen from drier and hotter place, not pollen from the next tree. Droughts that thin forests will aid miners. Lorikeets, red wattlebirds and flying foxes will assume more importance in the future as they can spread pollen widely, little deterred by miners.

Threat Abatement Options

The options for managing noisy miners differ among regions and vegetation structure and types. Generally the need is for promotion of the growth of complex understorey vegetation with more shrubs and grasses.

However inappropriate habitat restoration such as occurred when eucalypts were planted in Buloke woodland remnants, may lead to noisy miners colonizing previously miner free areas.

There is evidence that direct control (culling with the necessary permit) of noisy miners could be relatively humane, low-cost, quickly effective, and long-lasting compared with trapping.

Further Research

The advice to the scientific committee that led to the declaration of the actions of the noisy miner to be a Key Threatening Process was informed by research carried out by a working group established under the auspices of the Australian Centre for Ecological Analysis and Systems (www.aceas.org.au). Their report is called *Beating the Bullies: Managing Aggressive Manorinas to Restore Bird Assemblages*. Research is continuing.

References

Low, T (2014) *Where Song Began: Australia's Birds and How They Changed the World*. Penguin Books Australia

The noisy miner: challenges in managing an overabundant species
<http://webstat.latrobe.edu.au/url/www.latrobe.edu.au/ecology-environment-and-evolution/dept-of-zoology-documents/Final-low-res-LR-LatrobeUni-Birds-Broch.pdf>

Aggressive exclusion of birds from potential woodland and forest habitat by over-abundant noisy miners (*Manorina melanocephala*)
<http://www.environment.gov.au/biodiversity/threatened/key-threatening-processes/overabundant-noisy-miners>

ST IVES SHOWGROUND AND PRECINCT LANDS

Please consider making a submission about the proposals for usage and management of St Ives Showground and precinct lands which includes the Wildflower Garden. The closing date for submissions is Friday 27 February.

For more information see
http://www.kmc.nsw.gov.au/I_want_to/Ask_discuss_or_comment/Have_my_say_public_exhibitions/St_Ives_Showground_Precinct_Lands_Draft_Plan_of_Management.

LOCAL COUNCIL AMALGAMATIONS – FINANCE IMPLICATIONS

Jim Wells, former STEP treasurer, has contributed this detailed information comparing the finances of Hornsby and Ku-ring-gai Councils. We leave you to decide the implications this will have for residents if the councils merge.

In the last issue of *Step Matters* (Issue 178, p1–2) the possible merger of Ku-ring-gai and Hornsby Councils was discussed.

The data in the article implied that average property land values in Ku-ring-gai are about 50% higher than in Hornsby and inferred rightly that this would lead to an increase in rates in Ku-ring-gai unless there were significant cost savings. Fair comment but one must be cautious about averages in understanding the issue from the point of view of the typical (or median) ratepayer.

Rating Structure

A complication here is that Ku-ring-gai has moved away significantly from ordinary rates to an environmental levy which is paid in two parts – a minimum, which all rate payers pay and a pro-rata element. This has the effect of increasing the amount apartment owners pay compared to previous arrangements.

Hornsby rates excluding domestic water management charges were \$451 per head of population in 2013/14, Ku-ring-gai's \$523. If a levelling off occurs Ku-ring-gai ratepayers will benefit.

This is simplistic in that the rates include business rates. Councils no longer provide data on the total paid by businesses but a guide is available from history.

In 2007/08 Hornsby's business rates in total were 13% of residential rates, Ku-ring-gai's 7%. This doesn't place Hornsby in the North Sydney category for business rating resulting in low residential rating but is worthy of note.

Relative Financial Position

Opposite (p9) is a summary of the two councils' financial results for 2013/14 with comparisons with the preceding year.

Let's start with the operating result. Please, dear reader, do not read this as if were for BHP. Councils are not profit making entities, they are public sector spending bodies. The bottom line or so called operating result provides an indication of the surplus that's available for capital expenditure, loan repayments or cash build ups. Councils typically use rates as a funding source for capital expenditure and also to service debt.

It helps to assess this if we make some adjustments by excluding capital grants (mainly section 94 developer contributions) and interest on the revenue side and depreciation etc on the expense side. Also excluded as it's a once off is the Hornsby Quarry legal settlement of \$6m.

On this basis the results for the two councils are similar given their populations.

The most interesting aspect of the balance sheet is the amount of net cash (assets less liabilities) that the two councils might contribute to the merger. Based on 30 June 2014 data Ku-ring-gai will contribute much more than Hornsby.

Restricted Assets

However, it may be appropriate to adjust for external restricted assets as this money may be quarantined to respective council areas.

What is a restricted asset you ask? A restricted asset is cash on-hand, receivable or invested that has been received from a contributor or government but not yet spent. This is a quirk of local government accounting. When STEP receives a grant it is shown as a liability until spent. Councils do not do this.

Councils also have internally restricted assets and it is certainly arguable that the adjustment should reflect these. For the record Ku-ring-gai's internally restricted assets as at 30 June 2014 amounted to \$23m over half of which related to infrastructure and facilities. Hornsby's figure was the same – \$23m.

The key to the external restrictions is Section 94 Developer Contributions (see p11). At the end of June 2014 Ku-ring-gai had \$60.5m of these contributions not yet spent, Hornsby \$14.4m. This is a significant difference.

The quarantining of these contributions to old council areas after merger may not work totally as expected as the merged council may be influenced in how general funds are spent having regard to the section 94 situation.

When adjusted for external restricted assets both councils would contribute negative cash, Ku-ring-gai more so.

Note that Ku-ring-gai's cash includes the value of land in South Turramurra held for resale (\$8.7m). The Council would almost certainly wish to have pointed out that they have an asset sale program in place to improve their cash position further.

Infrastructure Provisions

An important issue for any organisation with significant long-term assets is the state of repair of those assets. One doesn't go to the accountant's office to find out about this; the only realistic way is to survey the assets.

Council Finances (year to June \$'000)

	Hornsby		Ku-ring-gai	
Population (2011)	156,847		109,297	
	2014	2013	2014	2013
Rates & Ann charges	91,432	87,157	72,976	68,816
User charges and fees	13,479	12,841	11,480	12,349
Interest & investm. rev	2,102	2,706	3,962	4,558
Quarry settlement	6,000	-	-	-
Rental income	1,687	1,761	4,703	4,301
Other revenue	4,682	4,229	4,605	3,946
Grants & cont. - oper	9,850	12,473	4,703	6,589
Grants & cont. - capit.	13,424	4,836	12,924	10,991
Asset disposals	58	271	1,516	(1,223)
Revenue	142,714	126,274	116,869	110,327
Employee	47,336	42,223	35,014	34,572
Borrowing costs	969	1,090	1,466	453
Materials & contracts	38,261	38,932	31,096	28,997
Deprec. & amort	22,954	23,739	18,457	15,790
Other	13,024	12,411	14,795	14,709
Expenses	122,544	118,395	100,828	94,521
Operating Result	20,170	7,879	16,041	15,806
Adjust - rev	121,130	118,461	98,467	96,001
costs	98,621	93,566	80,905	78,278
"Adj." Oper result	22,509	24,895	17,562	17,723
Assets				
Cash	11,522	36,278	-	13,028
Investments	35,191	8,433	92,462	77,875
Receivables	8,494	5,898	7,996	7,571
Inventories	150	165	252	253
Other	8	554	1,935	2,133
Sale assets (Sth Turra.)	-	-	8,746	-
Cash and near cash	55,365	51,328	111,391	100,860
Property, plant, infrastructure	1,487,880	1,431,405	976,258	959,145
Total assets	1,543,245	1,482,733	1,087,649	1,060,005
Payables	10,858	8,073	11,065	11,047
Borrowings	11,642	16,114	43,732	34,668
Provisions	14,354	13,469	10,602	9,941
Liabilities	36,854	37,656	65,399	55,656
Net assets = equity	1,506,391	1,445,077	1,022,250	1,004,349
Net cash	18,511	13,672	45,992	45,204
"Externally" restricted assets	17,757	18,538	65,599	70,764
Adjust cash	754	(4,866)	(19,607)	(25,560)
Oper. land	125,016	125,016	52,933	50,040
Commun. land	430,596	430,596	328,350	330,796
Buildings	64,698	79,996	78,575	77,154
Roads, bridges, footpaths	298,849	299,154	223,336	222,108
Bulk earthworks	77,561	77,561	60,227	60,227
Stormwater drainage	357,410	358,094	136,183	138,279
Other	133,750	60,988	96,654	80,541
Property, plant, infrastructure	1,487,880	1,431,405	976,258	959,145

In recent years various ratios have been developed to address this issue. For Ku-ring-gai the relevant ones are shown below.

	Bench- mark	Council 2014	2013
Buildings & Infra Renewals	>1x	1.045	0.941
Infrastructure Backlog	<0.02x	0.32	0.30
Asset maintenance	>1.00x	0.95	0.81
Capex	>1.10x	2.29	4.05

Not one of these is intuitive. They all depend on quite arbitrary assessments or estimates. More information is in the Annual Report, p175.

Worthy of comment is the backlog ratio where Ku-ring-gai is way off the benchmark. The ratio is an estimate of the amount needed to be spent on infrastructure to bring it to an acceptable standard divided by the value of the infrastructure. Who does the estimating? How do you ensure there is no gold plating?

Hornsby doesn't calculate these ratios.

At the foot of the financials table is a breakup of the property, plant, and infrastructure line.

Hornsby has a very large figure for stormwater drainage; it's even greater than that for roads. Part of the reason for this is that Hornsby uses a much lower rate of depreciation for this asset class than Ku-ring-gai. This only goes to emphasise just how rubbery much of this infrastructure data is. Indeed there's a major problem of determining what is operating expenditure (maintenance) and what is capital.

Be careful what you read in the newspapers. On 27 January the *Sydney Morning Herald* stated, quoting Northern Mayors, that 'metro

councils had a combined operating surplus in excess of \$20 million' (p23). Rubbish.

Here is a picture of Hornsby's quarry which is still resulting in ratepayer levies



STEP Survey Results

In Issue 178 of *STEP Matters* we invited members to answer survey questions about council merger proposals. The response was small but all respondents were against the idea of council amalgamations. There were mixed views on whether mergers should be an election issue or whether a referendum should be held. Basically it was considered that the political process would bury the issue within a multitude of other considerations. The alternative is for the public to be given the opportunity to make submissions that can cover the issues in detail.

Currently all councils are preparing the "Fit for Future" reports required by the state government and the reports I have seen claim that all councils in our area are 'fit' and they do not support mergers

STEP INFORMATION

STEP Matters

The editor of *STEP Matters* for this edition is Jill Green, who is responsible for all information and articles unless otherwise specifically credited. The STEP committee may not necessarily agree with all opinions carried in this newsletter, but we do welcome feedback and comments from our readers, be they STEP members or not.

All issues (from when we began in 1978) can be viewed online, usually in full-colour.

Feedback

Send complaints, praise, comments or letters to secretary@step.org.au. Please feel free to share your copy of the newsletter with friends, neighbours and business colleagues.

New Members

New members are always welcome to join STEP and to make themselves available for the committee should they wish to do so, Please encourage your like-minded friends and neighbours to join. The more members and resources we have the more effective STEP we can be.

STEP Committee

Jill Green – President
Frank Budai – Treasurer
Anita Andrew
Andrew Little
Helen Worrall

Robin Buchanan – Vice-president
Helen Wortham – Secretary
Don Davidson
John Martyn

SECTION 94 DEVELOPER CONTRIBUTIONS

Much of Ku-ring-gai's money has come from apartment building construction. Contributions appear to be about \$30,000 per unit with most going to local roads and drainage, although this varies by suburb.

As mentioned in on p8–10, Ku-ring-gai's unspent contributions amounted to \$60.5m at 30 June 2014. Hornsby's was \$14.4m. Warringah had \$24.4m, Ryde \$35.5m, Willoughby \$12.9m and North Sydney \$18.3m. This is a small sample but it does appear that Ku-ring-gai's position is somewhat extreme. They haven't been spending the money.

Ku-ring-gai's recent history (\$m) (see right) shows that the issue is of long standing.

'Transfers in' represent contributions received plus interest attributable on contributions invested. 'Transfers out' are for money spent on projects.

Ku-ring-gai does not detail fully the latter. There is some information in the General Annual Report about projects being progressed or completed funded fully or in part from section 94, and a very broad summary at Note 17 (\$m).

Year	Open Bal	Transfers In	Transfers Out	Close Bal
2014	64.7	12.1	(16.3)	60.5
2013	65.4	10.1	(10.8)	64.7
2012	71.1	15.4	(21.2)	65.4
2011	67.5	16.8	(13.2)	71.1
2010	56.5	15.7	(4.7)	67.5
2009	48.0	11.2	(2.7)	56.5
2008	40.1	15.7	(7.8)	48.0

It's worth of note that roads are in deficit (below left). The same presentation for Hornsby (\$m) (below right) indicates a somewhat different allocation of funds.

	Open Bal	Cont-rib.	Int-erest	Exp-end.	Close Bal
Roads	(7.2)	0.5	-	(0.9)	(7.6)
Traffic Facilities	6.6	2.3	0.3	-	9.2
Parking	1.7	-	0.1	(0.3)	1.5
Open Space	58.3	5.9	2.0	(14.6)	51.6
Commun. Fac.	5.1	0.9	0.2	(0.4)	5.8
Other	0.2	-	-	(0.1)	0.1
	64.7	9.6	2.6	(16.3)	60.5

Ku-ring-gai Council

	Open Bal	Cont-rib.	Int-erest	Exp-end.	Close Bal
Roads	1.7	0.8	0.1	(0.9)	1.7
Open Space	2.6	3.3	0.1	(2.3)	3.7
Commun. Fac.	6.4	1.5	0.3	(0.1)	8.1
Admin	(0.1)	0.1	-	-	-
s94a Levies	-	0.9	-	-	0.9
	10.6	6.6	0.5	(3.3)	14.4

Hornsby Council

Ku-ring-gai's Section 94 Plan has a schedule of works which is quite detailed. Of note for STEP members is the provision of \$17m for walking tracks – see p208.

Council's operational plan has very detailed capital expenditure listings showing the source of funds – general, section 94, capital grants etc for the current year and also for 2015/16.

On merger combining these two section 94 plans or setting up a new one could be interesting.

Background Information

Ku-ring-gai (not for the faint hearted, 210pp): http://www.kmc.nsw.gov.au/Plans_regulations/Building_and_development/Development_Contributions_Plan_Section_94

Hornsby: <http://www.hornsby.nsw.gov.au/property/development-applications/section-94-contributions>

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