

LOCAL GOVERNMENT AMENDMENT (RATES—MERGED COUNCIL AREAS) BILL 2017*Second Reading*

Ms GABRIELLE UPTON (Vaucluse—Minister for the Environment, Minister for Local Government, and Minister for Heritage) (12:48): I move:

That this bill be now read a second time.

The New South Wales Government is pleased to introduce the Local Government Amendment (Rates—Merged Council Areas) Bill 2017. It is pleasing that Labor has finally seen the light and is supportive of the Government's pro-ratepayer approach to local government, as witnessed in the Legislative Council last night. Once again, those opposite are hypocrites. They wrongly scream blue murder over good government policy but then support the policy on the floor of the Parliament, as they did in the Legislative Council just before 10.00 p.m. last night. Another explanation is that Labor simply vacated the space and that only a few members could drag themselves into the Chamber last night. One member who did was the shadow Minister who of course had to be there. He said, "I will rely on the Government when it comes to this bill"—a ringing endorsement which is fantastic. But more important than the seal of approval from Labor is the fact that the community can rely on the Government. It always has the interests of ratepayers in mind.

In 2015 the New South Wales Government committed that, for four years, residents of any new council would pay no more for their rates than would have been the case under their former council. This important commitment reassured residents that, following any mergers, they would be protected from sudden rate changes. This bill will ensure that the Government delivers on its commitment. In 2016 the New South Wales Government created 20 new councils. The decision to create these new councils followed extensive research and consultation that showed that the local government sector was in dire need of reform. Councils were collectively losing \$1 million per day and 60 per cent were found to be unfit by the Independent Pricing and Regulatory Tribunal [IPART]. The 20 new councils were formed with greater capacity to deliver more services and better infrastructure to their communities and they are already delivering significant benefits as a result. We are proud to report that new councils have already identified \$27 million in savings, amounting to savings of more than \$100,000 per day since the new councils commenced.

The Government was determined to support new councils as they came together and commenced operations. State Government funding of the order of \$375 million has been provided to the merged councils to fund local projects and to kickstart new services and infrastructure. This level of investment in local government is unprecedented and has seen councils invest in more than 480 new community projects and services. The funding is also supporting much-needed major local infrastructure. What does this mean? It means that new councils are fixing roads, footpaths, playgrounds and sporting ovals. Former councils neglected, mismanaged and failed to deliver many of the things our communities need but our new, stronger councils are listening and delivering. This bill will allow those new councils to continue providing significant benefits to residents while delivering the Government's rate path protection for the full four years.

In 2015 Premier Mike Baird asked IPART to undertake a review of the local government rating system and to provide recommendations on how to deliver rate path protection for four years. IPART provided the Government with its report on implementing the rate path protection commitment which was released in August last year. IPART's recommendations are the product of thorough consultation with the local government sector and other stakeholders. IPART has recommended amending the Local Government Act to provide the Minister with an instrument-making power. That is what this bill does. The proclamations that created the 20 new councils protected rate paths for the first financial year. This bill amends the Local Government Act to implement the rate path protection for the remaining three years and to deliver on the Government's commitment. The bill provides the Minister with the power to require a new council

to maintain the rate path that applied to its former council area for three years following the first year of the new council, once created by proclamation. This will ensure that the more than two million residents of newly merged councils continue to enjoy rate protections for the full four years.

The rate path encompasses both a council's rating structure, including the categorisation and sub-categorisation of land for rating purposes, whether rates are based on land values and/or fixed amounts, and how a council's general income is projected to increase over time in accordance with the council's long-term financial planning and priorities. Broadly, this means that the rate path protection retains the categorisation of land and the way in which rates are set for each former council area. Importantly, the power applies only to councils that were created on or after 12 May 2016, the date when the first 19 new councils were created. This means that the new councils which we have committed to create in the Sydney metropolitan area will enjoy the benefits of the rate path protection commitment. The bill has no impact on councils that are not merged or were not subject to merger proposals. Ratepayers in unmerged councils will not be subject to the rate path protection. This includes those regional councils subject to merger proposals that were awaiting the outcomes of legal action, and the Government has decided not to merge.

It is important to note that, without this bill, the Local Government Act requires councils to harmonise their rates across former council areas. If merged councils are forced to harmonise their rates across former council areas at this time, this would likely lead to rate increases for some ratepayers. For example, there is a difference of \$382 per year in the average rates of the former City of Botany Bay council and the former Rockdale Council, which now make up the new Bayside Council. If the new council is forced to harmonise its rates across the two former council areas at this time, the residents of the former City of Botany Bay council in particular may experience increases in their rates. We have created new councils so that residents can all receive better services and better value for money. Merging them was step one; supporting them to deliver the new services communities need was step two; and delivering this rate path protection is step three.

Regional councils in particular could also be subject to rate volatility without this bill. For example, there is a \$555 per year difference between the rates of the former Armidale Dumaresq and Guyra Shire councils, which now make up the Armidale Regional Council. There is a \$488 per year difference between rates of the former Deniliquin and Conargo Shire councils within the new Edward River Council. If such councils are forced to harmonise rates for the next financial year, ratepayers will be exposed to unacceptable changes in rates that can be prevented by this bill. IPART has also conducted a review of the broader local government rating system. IPART's recommendations include options for modernising the local government rating systems for all councils, as well as recommendations for setting rates in newly merged councils once the four-year path protection concludes. IPART's recommendations aim to minimise unacceptable changes in rates and keep downward pressure on rates for all councils across the State, including those merged councils subject to the rate path protection.

I am considering IPART's recommendations and hope to provide some further information on the issue of the pathway forward beyond the four-year pathway freeze. The Government is determined to reform the system so that it is more equitable and more efficient. More than two million residents of newly merged councils expect that their rate pathway will be protected as a result of the commitment that we made. The Government has done just that by ensuring the passage of that bill through the other place last night and bringing this bill before the House today. Despite the bleating of Labor members, Labor accepted this bill in the other place. They were absent in action but they have done the right thing. Residents in metropolitan councils subject to a merger proposal share the expectation that they will enjoy the same protections to their rates if the council merger goes ahead. This indeed is the case with this bill and, on that basis, I commend it to the House.

Mr GUY ZANGARI (Fairfield) (12:58): On behalf of the Labor Opposition I speak in debate on the Local Government Amendment (Rates—Merged Council Areas) Bill 2017 and note that I represent the shadow Minister, the Hon. Peter Primrose, in the other place.

The primary objective of the legislation is to require newly merged councils to maintain their pre-merged "rate path" for land in the new local government area [LGA] for three rating years. This legislation will primarily lull residents in newly merged LGAs into a false sense of security prior to whacking them with a huge rate increase following the moratorium period. I note from the outset that the legislation does not set out a full rate freeze, as one would expect, and it does nothing to assist residents in the long run.

Local Government NSW has labelled this legislation "bad policy" and a "cynical ploy" as there will be no rate structure harmonisation for the three-year period as ratepayers will be subject to a large rate hike following the 2019 State election. The devious behaviour of those opposite has become somewhat predictable: The Government will stave off bad news until after the election. I would hate to see what is under Coalition members' rugs at home. The bill before the House today is symptomatic of the ongoing chaotic implementation of the Government's forced council mergers policy. Despite the legislation setting out that newly merged councils must maintain their pre-merger rate paths, the Government has failed to define clearly what a rate path is. It has failed to outline clearly how rate paths will be coordinated with the rate pegs.

An interim report was released on 22 August by the Independent Pricing and Regulatory Tribunal [IPART]. The Minister for Local Government indicated during budget estimates that the final recommendations would be handed down in December 2016, with the Government to provide a response. Would you believe none of this has happened? I would. No such final report has been made public and no Government response has been issued. Last week the shadow Minister for Local Government, the Hon. Peter Primrose, wrote to IPART and asked what had happened to the final report. The advice he received was succinct. IPART stated:

The final report is with the Department of Premier and Cabinet and it will be up to the Government to decide when the report is released publicly.

Legislation is now before this House in the absence of that report and in the absence of a detailed Government response. The forcibly merged Cumberland Council is in my electorate. Following the inception of this legislation, Cumberland will be required to maintain five different rating levels based on the old council boundaries. While doing this, Cumberland also must collect the Government's shiny new fire and emergency services levy. Surely the Government's bill will not cause any problems or confusion for Cumberland Council? The administrative complexity that is continually imposed on councils is growing exponentially and is just another instance of cost shifting.

A number of forcibly merged councils have expressed concern that the stated object of the bill is contrary to the purpose of forcibly merging the councils in the first place. I acknowledge the presence of the former Minister for Local Government, the member for Bathurst, in the Chamber. The member is listening intently and nodding as I speak. Councils argue that if the Government wants to ensure financial sustainability and the gradual and phased integration of services across the new council areas, then obliging them at the same time to maintain disparate rate structures that lock some residents into higher rates than others is not the way to do it. Due to the bill's lack of information about rate paths it is not possible to determine how individual rates may be affected as land valuations are handed down and rate pegs are applied in different local government areas.

The current academic modelling shows that at the end of the three years there will likely be substantial increases as residents will then pay the true costs of the forced amalgamations. The Government's own modelling in this area is inconclusive and it is a worry that this bill is all it has to show for it. Councils have questioned whether the Government expects them to maintain differing levels of service for different parts of the community for the duration of the differential rates, or is it the Government's intention that they reduce service levels in some parts of the community to allow

subsidisation of increased service levels in other parts? The Opposition would certainly value the Minister's advice on this matter.

Further, it is unclear in the bill whether the rate paths will be based on retrospective measures from previous rating years, which include IPART-approved special rate variations. It is worth noting that the MidCoast Council has a right to special rate variations. There may be other councils that also want a rate variation. Individual rates are also impacted by factors such as land valuations that can affect percentage changes to rates alongside the rate-pegging process. These new land values are provided by the Valuer General every three years and affect rates. Once again, the bill does not make clear how this will affect so-called rate paths. All this flies in the face of what the Government and the member for Bathurst have said about the forced council merger policy: that mergers are the solution to curbing rate rises. Clearly, this claim is a little misguided.

Mr Paul Toole: You want to put the rates up.

Mr GUY ZANGARI: I acknowledge the interjection by the member for Bathurst. I am sure that he would like to congratulate Ange Postecoglou on the Australian Socceroos' victory over the United Arab Emirates last night. Now that I have given the Socceroos a plug, I note that the member for Bathurst is continuing with his verbiage as he knows that his local government policies have failed. He is paying the bill lip service—but what else would we expect? The bill has been poorly drafted and will add to the confusion that has followed the forced council mergers.

Mr STEPHEN BROMHEAD (Myall Lakes) (13:06): I speak in support of the Local Government Amendment (Rates—Merged Council Areas) Bill 2017. The electorate of Myall Lakes encompasses two of the three merged councils that the bill refers to. So it is of concern to me, the residents of Myall Lakes and the newly formed MidCoast Council. It is pleasing that the Labor Party supports the bill, and I acknowledge that support. Another party called The Greens also supported the bill. The bill and its amendments have bipartisan support across the Parliament.

If the MidCoast Council chooses to apply for a rate rise and the Independent Pricing and Regulatory Tribunal [IPART] agrees to it, there may be a rate rise. This is a win for the ratepayers of the MidCoast Council. The former Greater Taree City Council sought a rate variation increase of almost 50 per cent prior to the amalgamation announcement. If not for the merger of the Manning Valley and the Greater Taree City Council into the MidCoast Council local government area [LGA] those ratepayers would be looking at a 50 per cent rate rise. If not for the merger, the people of Gloucester would face a 40 per cent rate rise in addition to any current rate rise.

The former Great Lakes Council applied for a 20.7 per cent rate increase. So if the MidCoast Council decides to put an application to IPART and it makes a determination, there will be 20 per cent rate rise across the entire council area, not a 50 per cent rate rise in the former Greater Taree local government area and a 40 per cent rate rise in the former Gloucester LGA. That will be a tremendous saving for those communities. Ratepayers of the former Greater Taree City Council in the Manning region will pay 28.9 per cent less in rates. That is 28.9 per cent less than the former council sought. In the Great Lakes region the rate rise will be the same as that sought by the former council. Ratepayers in the Gloucester region will pay 31.3 per cent less than was sought, which is great news for them.

What would happen in those areas if there were no allowance for a special rate variation? In three years time ratepayers in the MidCoast Council LGA would fall off a financial cliff when faced with a huge rate rise to make up for three years with no increases. Rate rises will not be granted automatically. The MidCoast Council must resolve to increase rates and then it must apply to the independent body, IPART, for a special rate variation. So there is no guarantee that increases will happen. People who are concerned about potential rate rises must consider the tremendous need in this area. The merged area has a population of more than 90,000 people. It covers more than 10,000 square kilometres and has 190 kilometres of coastline, 3,574 kilometres of road and 542 bridges—of

which 195 are timber. The maintenance backlog for roads and bridges is estimated to cost something like \$200 million. That backlog must be addressed.

Every survey and every community consultation identifies local roads as one of the biggest issues—if not the biggest issue—of concern in the area. It cannot be addressed by tying the hands of council. It was never intended to amalgamate the local councils; the area was never part of the original amalgamation proposal. The amalgamation came about because Gloucester put an alternative proposal to the Minister, who referred the matter to the Boundaries Commission, which appointed Dr Ian Tiley to undertake a review and to make recommendations. Before there was any talk of amalgamation, all three councils had a rate path of huge rises. The merger stopped it. For example, there were three independent reports into Taree council. The first was the better practices report, which delivered shocking findings relating to the council's management, service delivery, infrastructure delivery and asset maintenance. TCorp rated the council 151st out of 152 councils, and when council No. 152 was dismissed Taree took last position. The third report, Fit for the Future, found that the council was not fit for the future. The council never had the capacity to pay its debts or to fund current road maintenance, let alone the maintenance backlog.

The Government allocated \$20 million to the MidCoast Council, \$14 million of which will be spent on roads and bridges. Through the savings that were identified another \$16 million was allocated for roads and bridges, which makes a total funding program of \$30 million. That money will be used to maintain the existing road system to ensure that it does not fall into disrepair and require a complete redevelopment. However, that funding is not sufficient to address the maintenance backlog and the underlying problems in relation to roads, bridges and freight corridors. This legislation will allow the council to apply to IPART for a rate rise. If the MidCoast Council does that and it is determined that it will be 20 per cent over four years, including the rate cap—as was discussed with the community—there will be no adverse impact. This legislation gives the council the capacity to begin to address the infrastructure backlog. That is extremely important. Many council areas in Sydney and in other city electorates are 12 square kilometres or even smaller. They have big populations but much smaller areas and therefore need nowhere near the same amount of infrastructure. [*Time expired.*]

TEMPORARY SPEAKER (Mr Geoff Pro vest): It being 1.15 p.m., debate is interrupted for community recognition statements. I set down the resumption of the debate as an order of the day for a later hour.