

# **Local Government Amalgamations**

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## **Terms of Reference**

That General Purpose Standing Committee No. 5 inquire into and report on the social, political and economic impact of amalgamations on local government in NSW, and in particular:

- (a) The adequacy of current funding arrangements for local government,
- (b) The effect of unfunded mandates on councils,
- (c) The local community's expectations of service provision by local government,
- (d) The optimum organisational structure to efficiently deliver better local government,
- (e) The criteria by which amalgamations, boundary changes or major reorganisation of council areas should be decided,
- (f) The methods by which any such changes should be implemented,
- (g) The role that state government should play in any changes,
- (h) The views of residents and ratepayers on amalgamation,
- (i) The financial implications of amalgamations for financial assistance grants,
- (j) Any other relevant issues.

These terms of reference were self-referred by the Committee.

## Committee Membership

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<b>Mr Ian Cohen MLC</b>	The Greens	<i>Chair</i>
<b>The Hon Ian West MLC</b>	Australian Labor Party	<i>Deputy Chair</i>
<b>The Hon Richard Colless MLC</b>	The Nationals	
<b>The Hon Kayee Griffin MLC</b>	Australian Labor Party	
<b>Ms Sylvia Hale MLC</b>	The Greens	
<b>The Hon Charlie Lynn MLC</b>	Liberal Party	
<b>The Hon Henry Tsang MLC</b>	Australian Labor Party	

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## Chair's Foreword

Local government is generally seen as the poor relation of the three spheres of government in Australia. This inquiry has shown that many people across the State, both in metropolitan and regional areas, care very deeply about how they are governed at a local level. Since June 2003 there has been fear and anxiety in many communities who believe this representation is under threat from the State Government's structural reform agenda.

The focus of much of the evidence was the threat of amalgamations and their potential impact on local communities. Witnesses and those who provided submissions were accepting of the need for change. However they wanted to be involved and consulted, not have change imposed by the State Government.

The Committee was persuaded that amalgamations do not necessarily lead to greater efficiencies and economies of scale. Neither academic experts, bureaucrats nor those councils who had experienced amalgamations could demonstrate that there was an economic benefit to amalgamations.

Witnesses also agreed that local government is not adequately funded to provide the services expected by the community or to fulfil its required functions. In this report the Committee identifies the need for a source of growth revenue to fund local government.

People from all walks of life, in both city and country, voiced their concerns about a declining sense of community in today's world. Many people see their council as integral to community spirit. They feel that a larger local government body will lead to a loss of social capital and that smaller councils engender a sense of belonging.

This report has been made possible because of the participation of three groups of people. I acknowledge the valuable contribution of the many councillors, council staff and members of the public who prepared submissions, wrote letters, appeared as witnesses or attended public hearings. This inquiry attracted a great deal of public interest, and the quality of contributions was high. In its report the Committee can reflect only a small part of the evidence it received, but we are very grateful to all those who demonstrated their interest in and concern for how they are governed at the local level.

I would like to thank the secretariat staff for organising the inquiry, including the hearings and preparation of the first draft of this report. Finally, I wish to thank my fellow Committee members for their approach to this inquiry. The hearing process benefited greatly from the experience of many members of the Committee as current or former councillors. All Committee members actively participated to make this a positive example of how a parliamentary inquiry can constructively examine a controversial issue and propose workable recommendations to improve governance in this State.



Mr Ian Cohen MLC  
**Committee Chair**

## Summary of Recommendations

### **Recommendation 1**

*Page 16*

That a formal process be established whereby all State Government policy and legislative proposals are assessed for their financial impact on local government.

### **Recommendation 2**

*Page 23*

That the State Government, as a matter of urgency, review the rating and rate pegging systems in partnership with the Local Government and Shires Associations of NSW.

### **Recommendation 3**

*Page 32*

That the State Government enter into a funding agreement that provides local government with access to a growing revenue base, and that it determine the most appropriate revenue base and allocation percentage in consultation with the Local Government and Shires Associations. This consultation should include an examination of the Federal Government hypothecating a percentage of GST to local government.

### **Recommendation 4**

*Page 37*

That the Department of Infrastructure, Planning and Natural Resources and the Department of Local Government conduct a formal study, including a review of current studies, on the costs, benefits and functioning of various methods for determining council planning development decisions, including Independent Hearing and Assessment Panels.

### **Recommendation 5**

*Page 39*

That section 230 of the *Local Government Act 1993* be repealed by extending the term of councillor-elected mayors from one to two years.

### **Recommendation 6**

*Page 41*

That the Local Government Remuneration Tribunal undertake an inquiry into councillor remuneration, including the need and likely impact of remunerating councillors on a full time basis.

### **Recommendation 7**

*Page 46*

That the NSW Government review the resourcing and location of the Department of Local Government with a view to enabling it to fulfil its charter.

### **Recommendation 8**

*Page 50*

That the NSW Government investigate options for developing a genuine partnership with Local Government. This would include identifying ways to expand opportunities for regular, regional discussions between State Government agencies and local government.

### **Recommendation 9**

*Page 51*

That the NSW Government convene a Summit on Local Government in 2004. The key objective of this event would be to clarify the respective roles and responsibilities of local and State Government in NSW. The outcomes of the Summit would inform any future discussions with the Federal Government regarding intergovernmental roles and local government funding. The Summit would also provide a basis for the development of a partnership agreement between the State and local governments.

**Recommendation 10**

*Page 56*

That for any future structural reform proposals the Department of Local Government reject any proposal affecting boundaries of other councils unless the council making the proposal can demonstrate it has consulted widely with those councils and the affected residents prior to making the submission.

**Recommendation 11**

*Page 60*

That future regional reviews provide greater scope for more inclusive community consultation by lengthening the time allocated to the consultation process and by holding meetings at times that are conducive to greater participation such as outside of business hours and on the weekends.

**Recommendation 12**

*Page 60*

That the reports of regional reviews indicate the extent of the consultation process by providing details of the meetings held including the times, numbers of those present and a transcript of evidence given at public meetings, and the number and details of submissions received.

**Recommendation 13**

*Page 61*

That the Department of Local Government report on the recommendations for structural reform, other than those involving boundary changes, that is has received during the current reform process. The report should detail the action it has or will take in response to the recommendations.

**Recommendation 14**

*Page 65*

That all amalgamation proposals and any boundary alteration proposals that involve a ten per cent or greater variation in either population, area or rate-base arising from the current structural reform program are referred to the Boundaries Commission for public inquiry.

**Recommendation 15**

*Page 68*

That each major recommendation from regional reviews be considered by a consultation process, which could include a polling technique, that involves a representative and spatial sample from the residents of the areas concerned.

That following the consultation process, a postal ballot of all residents should be conducted and the support of a majority of a council's residents be required for that council to continue as part of that proposal.

That the State Government fund the cost of this process.

**Recommendation 16**

*Page 69*

That for each new council being proposed by the regional reviews a steering committee be established and be comprised of a representative of the Department of Local Government, and two councillors, the General Manager and a minimum of two residents from each of the councils involved in the proposal.

That the steering committee develop the charter and proclamation for the new council and specify the new council's governance structure and where its resources will be located.

That the information produced by the steering committee then be used in the community consultation process.

**Recommendation 17**

*Page 81*

That any new council created via the current reform process should adopt a new name that reflects the region or the shared community of interest.

**Recommendation 18**

*Page 84*

That the State Government give immediate priority to resolving its position regarding concerns raised about the *Local Government (Employment Protection) Act*, in order to remove any uncertainty well before the March 2004 council elections.

**Recommendation 19**

*Page 86*

That each new council that is created as part of the current reform process should have its own specific charter and have its agreed governance details included in its proclamation.

**Recommendation 20**

*Page 91*

That the Department of Local Government provide funding for an award which recognises effective and innovative cross council cooperation. The award would be administered by a panel convened by the Local Government and Shires Associations.

**Recommendation 21**

*Page 94*

That the Department of Local Government investigate the feasibility and cost of applying the model developed by the Institute of Rural Affairs for determining local government boundaries across New South Wales.

# Chapter 1 Introduction

## Terms of Reference

**1.1** On 1 September 2003 General Purpose Standing Committee No. 5 (the Committee) resolved to adopt the following terms of reference:<sup>1</sup>

*That General Purpose Standing Committee No. 5, inquire into and report on the social, political and economic impact of amalgamations on local government in NSW, and in particular:*

- (a) The adequacy of current funding arrangements for local government*
- (b) The effect of unfunded mandates on councils*
- (c) The local community's expectations of service provision by local government*
- (d) The optimum organisational structure to efficiently deliver better local government*
- (e) The criteria by which amalgamations, boundary changes or major reorganisation of council areas should be decided*
- (f) The methods by which any such changes should be implemented*
- (g) The role that state government should play in any changes*
- (h) The views of residents and ratepayers on amalgamation*
- (i) The financial implications of amalgamations for financial assistance grants*
- (j) Any other relevant issues.*

## Call for submissions

**1.2** The Committee received a total of 227 submissions. Advertisements seeking submissions were placed in the major metropolitan and regional press, and the weekly bulletin of the Local Government and Shires Association of NSW. The Committee also wrote to relevant individuals and organisations including the Minister for Local Government, regional organisations of councils (ROCs), the United Services Union, and several local government academics.

**1.3** Submissions were received from councils and individuals across the State, especially from rural and regional NSW. A list of all submissions is contained in Appendix 1.

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<sup>1</sup> The inquiry was initiated following the receipt of a letter on 25 August 2003, signed by three members of the Committee, requesting that, in accordance with the procedure set out in paragraph 3 of the Resolution of the House of 3 July 2003 establishing that Committee, a meeting be convened to consider proposed terms of reference in relation to local government amalgamations. These terms of reference were modified at the 1 September meeting of the Committee.

## Public hearings

- 1.4** The Committee consulted widely during the inquiry. A total of six public hearings were held involving 87 witnesses. Three hearings were held at Parliament House on Thursday 23 October, Monday 27 October and Friday 14 November 2003. Regional hearings were held in Orange on 24 October, in Tamworth on 4 November and Wagga Wagga on 5 November 2003. The regional hearings were generally well attended, attracting considerable public and media interest. A list of witnesses is provided in Appendix 2 and transcripts of the hearings can be found on the Committee's website at [www.parliament.nsw.gov.au](http://www.parliament.nsw.gov.au)
- 1.5** The Committee would like to thank all of the people who participated in this inquiry: by making a submission, giving evidence or attending the public hearings.

## This report

- 1.6** The Committee adopted this report at a meeting on 15 December 2003. The minutes of this and other meetings held during the inquiry are presented in Appendix 4.

## Structure of the report

- 1.7** Chapter 2 is a chronology of key events in the State Government's local government reform program, from June to December 2003. It also discusses community reaction to the reform program during this period.
- 1.8** Chapter 3 examines the current revenue sources for local government and compares them against the increasing costs that must be borne by local government both to acquit its statutory requirements and to provide adequate and appropriate services to its distinct communities. It examines the necessity for a fundamental change to the revenue base for local government.
- 1.9** In Chapter 4 the Committee examines the notion of 'local governance'. Various ways to improve local governance are presented. Suggestions include increasing the number of popularly elected mayors, providing funding for precinct committees, enhancing the capacity of the Department of Local Government (the Department) to provide strategic support to councils<sup>2</sup> and developing a partnership between state and local government.
- 1.10** Chapter 5 briefly examines the debate on whether amalgamations are capable of improving the bottom line of financially troubled councils. It reviews and comments on the Minister's structural reform program and the series of regional reviews, designed to accompany and support the overall reform process. Finally, it examines those issues that should inform actions both before and after a decision to amalgamate one or more councils.
- 1.11** The report concludes with a chapter examining possible alternatives to amalgamation. Many councils suggest that they are already improving their efficiency by participating in resource sharing arrangements or joint planning projects. Chapter 6 looks at how these alliances could be further strengthened and developed as a practical alternative to amalgamation.

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<sup>2</sup> In the text of this report the term 'council' is used generically to refer to both councils and shires.

## Chapter 2 The Local Government Reform Program

The role of local government in New South Wales has expanded considerably over the past three to four decades, reflecting dramatic social and economic changes that have left their mark on all aspects of governance. Local government has had to grapple with heightened community expectations for more and better services and for public participation in local decision making. The belief that councils are only about 'rates roads and rubbish' is well and truly outdated. Enabling local governments to meet community needs in an increasingly complex world is a critical area for debate and reform.

One response to this need for reform has been amalgamation, reflecting a view, particularly among state governments, that larger councils are more efficient than smaller councils.<sup>3</sup> This has led to a decline in the number of local government bodies in New South Wales from 324 in 1910 to 172 in 2003.<sup>4</sup> This chapter provides a chronology of the State Government's current program for structural reform in which amalgamations appear to be a major focus. It also includes a brief description of two important events relating to recent local government reform in this State, which are referred to frequently throughout this report: the introduction of the *Local Government Act 1993*; and the Sproats Inquiry into eight Eastern and Inner City areas of Sydney.

### The Local Government Act 1993

- 2.1** The most significant reform to local government in New South Wales in recent years was the introduction of the *Local Government Act 1993*, the first comprehensive redrafting of the Act in decades. The new Act incorporated many of the public sector reforms introduced during the 1980s to improve the efficiency, effectiveness and transparency of the public sector.<sup>5</sup> However, it was also intended to give councils wide latitude regarding their powers and governance.<sup>6</sup> The Act is generally seen as providing a sound framework for the creation of effective, modern local councils, although its implementation has been described as 'patchy and inconsistent'.<sup>7</sup>
- 2.2** The Act provides that proposals for boundary alterations or amalgamations be referred to the Boundaries Commission for a recommendation to be made to the Minister. In the case of amalgamations the Act requires that an inquiry be held having regard for the factors outlined in section 263 (3).<sup>8</sup>

<sup>3</sup> Sansom G, 'Three Weddings, a Loveless Marriage and a Rich Uncle: Local Government Reform and Intergovernment Relations in Australia', Paper presented to the CLAIR forum, Wellington, New Zealand, December 2002, p1

<sup>4</sup> Independent Pricing and Regulatory Tribunal of NSW, *Benchmarking Local Government Performance in NSW, Interim Report*, December 1997, IPART, Sydney, p5

<sup>5</sup> *ibid*, p10

<sup>6</sup> Mr John Mant, Evidence, 27 October 2003, p39

<sup>7</sup> Sansom 2002, *op cit*, p11

<sup>8</sup> These factors refer to considerations such as economies of scale; community of interest and geographic cohesion; existing historical and traditional values; the attitude of residents and ratepayers; impact on elected representation; the impact on services and employment.

## The Sproats Inquiry

- 2.3** In October 2000 the NSW Government established a Commission of Inquiry into the structure of local government in eight Council areas in the Inner City and Eastern Suburbs of Sydney. Professor Kevin Sproats was appointed Commissioner. He delivered his report in April of the following year. His key recommendation was the amalgamation of eight existing councils into four new councils.<sup>9</sup>
- 2.4** Professor Sproats' rationale for amalgamating these councils was not based solely on reasons of economic efficiency. Acknowledging that the evidence regarding economies of scale tends to be suggestive rather than conclusive, he noted several other benefits of amalgamation. These include increasing councils' capacity for strategic planning and promoting greater innovation in service delivery.<sup>10</sup>
- 2.5** While the Government did not adopt the Commissioner's central recommendation it accepted some of Sproats' proposals for boundary changes and referred these to the Boundaries Commission. In the case of proposed boundary alterations in favour of Sydney City Council at the expense of South Sydney and Leichhardt Councils, this resulted in a lengthy period of legal disputation which ended recently when the High Court of Australia rejected an application for special leave to appeal from South Sydney Council.<sup>11</sup>

## Chronology of reform program

- 2.6** The following chronology identifies key events in the State Government's current structural reform program from June-December 2003. The key concern about the reform program among many councils and members of the public is that the Government appears to be planning to set aside its pre-March 2003 election policy of 'no forced amalgamations' by forcing some councils to amalgamate, against their wishes. This inquiry arose out of these concerns.

### ***4 June - Shires Association Annual Conference***

- 2.7** Prior to the March 2003 election there were rumours the Government was contemplating significant structural reform of local government.<sup>12</sup> This intention was confirmed by the NSW Premier on 4 June in his address to the annual conference of the Shires Association of NSW where he said:

...there are large economies of scale to be won by sensible mergers and other forms of co-operation...Why let small – unviably small – councils, battle on against the odds

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<sup>9</sup> Sproats K, NSW Government Commission of Inquiry, *Inquiry into the Structure of Local Government in Eight Council Areas in the Inner City and Eastern Suburbs of Sydney*, April 2001, p8

<sup>10</sup> Sproats 2001, op cit, p36

<sup>11</sup> Legislative Council Standing Committee on State Development, *Local government boundaries in Inner Sydney and the Eastern Suburbs*, Report 27, November 2002

<sup>12</sup> Hon Duncan Gay MLC, 'Carr's Big Plans for Sartor – Do they include forced council amalgamations?' *Media Release*, 7 November 2002

year after year...Let's come back to this conference next year with fewer but stronger councils.<sup>13</sup>

- 2.8** The Premier noted that 43 councils in NSW have fewer than 5,000 residents, 47 councils have a total income of less than \$10 million a year and 27 shire councils are on the Department's Financial Watch List. He also commented critically on the anomalies created by "doughnut" councils.<sup>14</sup> While the Government did not release any formal criteria regarding how decisions about amalgamation would be made, it was assumed that doughnut councils and those with low turnovers and small resident populations were prime candidates for amalgamation. There was concern that the Government would be prepared to overturn its policy of voluntary amalgamations if some councils resisted the pressure to amalgamate. At a press conference after his address, the Premier said:

I think we could do a lot by co-operation, but if they fall short then they will be effectively asking us to crack the whip and we might have to do that.<sup>15</sup>

### ***17 June - Letter from the Leader of the Opposition***

- 2.9** In response to the Premier's call for structural reform, the Opposition leader, the Hon John Brogden MP, wrote to all councillors and council general managers in NSW stating the Coalition's opposition to forced amalgamations, but nevertheless supporting the need for councils to consider ways to improve efficiency

...I believe there is great scope for many Councils to consider sharing their 'back office' functions. Already many councils share functions like parks and gardens and waste disposal. I believe this can be expanded to include areas like IT services, media and public relations, human resources, finance, fleet management and corporate services. This will allow improved efficiencies without forced amalgamations, thus ensuring local representation is maintained at community level.<sup>16</sup>

### ***3 July - Minister Kelly announces submission deadline and regional reviews***

- 2.10** The Minister for Local Government, the Hon Tony Kelly MLC sent a letter to all councils giving limited details of the Government's reform agenda and a deadline of 31 August for the submission of proposals. He also announced that regional reviews would be conducted to assist councils consider their options for structural reform. To date, regional reviews have commenced in the ACT region, Peel and Clarence Valley. Additional reviews will be held in the Murray region (Albury, Hume and Corowa) and the Macquarie region (Bathurst, Evans, Oberon, Lithgow and Rylstone).

<sup>13</sup> Hon R J Carr MP, Speech presented to Annual Conference of the Shires Association of NSW, 4 June 2003, Sydney, transcript p4

<sup>14</sup> A doughnut council is one or more a smaller councils surrounding a larger regional council.

<sup>15</sup> Shires Association of NSW, Facing the amalgamation/boundary change challenge, Local Government Reform Discussion Paper. July 2003, p1

<sup>16</sup> Correspondence from the Hon John Brogden, MP, NSW Liberal Leader, 17 June 2003 (attached to sub 49)

**2 September – Upper House inquiry into Local Government Amalgamations**

- 2.11** The Chair of the Legislative Council's General Purpose Standing Committee No 5, Mr Ian Cohen MLC, announced the commencement of an inquiry into Local Government Amalgamations. The terms of reference are wide ranging and include the social, political and economic impact of amalgamations on councils in NSW.

**17 September - Local Government Amendment (No Forced Amalgamations) Bill**

- 2.12** This Bill was introduced in the Legislative Council on 17 Sept 2003 by the Deputy Leader of the Opposition, the Hon Duncan Gay MLC. The object of the Bill is to require the Boundaries Commission to conduct a postal ballot of eligible persons as part of its consideration of an amalgamation proposal or significant boundary change. If the Commission disagrees with the poll findings, it will have to publish reasons for its decision.<sup>17</sup>
- 2.13** Under the current *Local Government Act*, while the Boundaries Commission is required to undertake some form of community consultation in relation to a proposed boundary change, this may or may not involve a poll. Nor is the Commission required to publish reasons for its decision if it goes against the results of a poll. The Local Government Amendment (No Forced Amalgamations) Bill was eventually passed by the Upper House, but defeated in the Legislative Assembly on 30 October 2003.<sup>18</sup>

**9-12 November - Annual Conference of the Local Government Association**

- 2.14** The Annual conference of the Local Government Association of NSW was held from the 9-12 November in Albury. Both the Premier and the Minister for Local Government addressed the conference, the former announcing new penalties for corrupt councillors and the development of a Local Government code of conduct.<sup>19</sup> The Minister announced the next round of regional reviews to be held in the Murray and the Macquarie Region.<sup>20</sup>

**20 November - Local Government Amendment Bill**

- 2.15** In late November, the Hon Tony Kelly MLC introduced the Local Government Amendment Bill to the Legislative Council. According to Minister Kelly, the Bill reflects 'the Government's commitment to the local government reform program and to improving the way councils deliver services to their residents and ratepayers.'<sup>21</sup> The Bill would:
- allow the Boundaries Commission to consider boundary changes and amalgamations without having to hold public meetings or polls
  - ban court action to stop proclamations which implement structural reforms

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<sup>17</sup> Legislative Council, New South Wales, *Hansard*, 17 September, 2003, p3392

<sup>18</sup> Legislative Assembly, New South Wales, Votes and Proceedings, First session of the 53<sup>rd</sup> Parliament, No 40, Item 4, 30 October 2003

<sup>19</sup> Hon B Carr MP, Premier, 'Premier Carr outlines plans to rein in unruly councillors' *Media Release*, 10 November 2003

<sup>20</sup> Media Release, Tony Kelly 10 November 2003

<sup>21</sup> Legislative Council, New South Wales, *Hansard*, 20 November 2003, p48

- allow the Director General of the Department of Local Government to decide whether a mayor in a particular council should be popularly elected and whether a council should be divided into wards.<sup>22</sup>

**2.16** Media reports following the introduction of the Bill indicate considerable opposition from councils, who believe it would give excessive power to the Minister over boundary changes.<sup>23</sup> However, the Bill was not brought to a second reading prior to the close of the current parliamentary session.

### ***25 November - Release of Federal Cost Shifting and Local Government report***

**2.17** The House of Representatives Committee on Economics, Finance and Public Administration released a report of its Inquiry into Local Government and Cost Shifting on 25 November 2003. The bipartisan report found councils had been short changed by state and federal governments and recommended an overhaul of local government financing. The Committee also recommended that a summit on intergovernmental relations should be convened by the Council of Australian Governments in 2005 to review the roles and funding arrangements for the three levels of government.<sup>24</sup>

## **Public response to the reform agenda**

**2.18** Submissions and evidence to this inquiry indicate mixed but very strong views about the Government's current approach to local government reform. The critics object to the Government's methods on three grounds: the lack of direction; inadequate time for consultation; and its narrow focus on amalgamation.

**2.19** The first concern is that the Government has not provided sufficient detail and direction on the criteria for amalgamation:

There has been no direction or objectives set that gives any guidance to the process.<sup>25</sup>

Unfortunately it has led to probably an unholy scramble in some cases...perhaps a clear set of guidelines might have focussed the attention of councils better than what has happened to date.<sup>26</sup>

**2.20** A second source of concern is that the 31 August deadline for councils to provide submissions on structural reform did not allow adequate time for community consultation:

The time frame and lack of direction have made consultation with local communities difficult...<sup>27</sup>

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<sup>22</sup> Local Government Amendment Bill 2003

<sup>23</sup> 'Councils face losing control of their destiny' *Daily Telegraph*, 25 November 2003, AAP, 28 November 2003

<sup>24</sup> House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes: A Fair Share for Responsible Local Government*, October 2003, Canberra, p xvii

<sup>25</sup> Submission 134 Cooma-Monaro Shire Council, p2

<sup>26</sup> Mr Paul Henry, General Manager, Inverell Shire Council, Evidence, 14 November 2003, p28

<sup>27</sup> Submission 134, Cooma-Monaro Shire Council, p2

I think the time frame was a bit short...We had to arrange meetings at halls in rural centres, and stretch our councillors to cover those meetings. That cannot be done overnight.<sup>28</sup>

**2.21** A third criticism made by inquiry participants is that the reform agenda was too narrowly focussed on amalgamation, at the expense of the 'real issues' facing local government:

The issue has been clouded by talk of amalgamations. The discussion on structural reform came about at the same time as the statement being made, "There will be no forced amalgamations" The two in my mind, have gone hand in hand; structural reform has come to mean amalgamation.<sup>29</sup>

I have been saying for months that the Shires Association recognises the need for some reform of local government. What we reject is the notion that simply reducing the number of councils in the state is the answer. The issue is much more complex than that.<sup>30</sup>

**2.22** The Department of Local Government defended its approach to the Committee. The Director General said that:

It was a conscious decision to allow councils and locals to look at where they wanted to go in the future, not to have us sitting in Sydney prescribing what they want.<sup>31</sup>

**2.23** Several witnesses including the President of the Shires Association and the Mayor of Yarrawluma, acknowledged that the lack of detailed guidance on the content of submissions may in fact have been an advantage:

My philosophy was: Okay, you do not have guidelines. And if you did have guidelines you would be whinging anyway, because they would not be right...I was complaining about the process, but I must say I took it between my teeth and thought, "How can I turn this around positively"...<sup>32</sup>

I think the aim was to get councils around the State to get off their bums and do something. And they certainly did because...we spent many, many hours in very detailed conversation with our colleagues from other shires around New South Wales.<sup>33</sup>

**2.24** One of the most serious criticisms of the Government's approach is that the lack of information and guidance on the process has encouraged a predatory attitude among some neighbouring councils, pitting town against town, shire against shire. In his review of the structure of local government in the ACT region, Professor, Maurice Daly noted that:

There is a good deal of suspicion of neighbouring councils, and a fear that larger councils might "take-over" smaller councils. This has largely arisen because an initial

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<sup>28</sup> Mr Frederick Harvison, Mayor, Singleton Council, Evidence, 27 October 2003, p5

<sup>29</sup> *ibid*, p5

<sup>30</sup> 'Shires accuse government of backflip', Shires Association of NSW, *Media Release*, 4 July 2003

<sup>31</sup> Mr Garry Payne, Director General, Department of Local Government, Evidence, 23 October 2003, p43

<sup>32</sup> Ms Phyllis Miller, President, Shires Association of NSW, Evidence, 23 October 2003, p5

<sup>33</sup> Mr Terrence Branson, Mayor, Yarrawluma Shire Council, Evidence, 5 November 2003, p45

application from one Council for boundary adjustments generated a succession of proposals by other Councils...so the various communities in the region perceived that they were involved in some kind of 'turf war" with their neighbours.<sup>34</sup>

## **Conclusion**

**2.25** The State Government's current agenda for local government reform has undoubtedly created a level of anxiety and uncertainty among some councils and their communities. Clearly the threat of forced amalgamations is the source of most of this anxiety. At the same time, the reform program has generated debate and discussion about many of the challenges currently facing local governments and, in particular, the financial constraints under which they operate. The following chapters examine the types of issues that have been raised by the reform process, commencing with the financial position of local government.

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<sup>34</sup> Daly M, *Proposal for the creation of a New Capital City Regional Council*, October 2003, p26



## Chapter 3 Local government finances

The financial position of local governments is intrinsically linked to the current structural reform process and the desire on the part of the NSW Government for a reduction in the number of local government authorities.<sup>35</sup>

Numerous submissions and considerable evidence focussed on the issue of finance and funding for local government. Many participants in the inquiry argued that there needs to be a fundamental reform of the local government revenue base. They argue that on its own amalgamation will not solve the underlying fundamental problems facing local government today. The most important of these problems are unfunded mandates and lack of a growth income.

This chapter examines the current revenue sources for local government and compares them against the increasing costs that must be borne by local government both to acquit its statutory requirements and to provide adequate and appropriate services to its distinct communities.

### Financial position of small councils

**3.1** There is a much-debated premise that larger councils are inherently more cost-efficient and economically viable than smaller councils and that when smaller councils merge with other like-sized or larger councils overall cost savings are realised through economies of scale.<sup>36</sup> In the current reform process, many, rightly or wrongly, have taken the Premier's June 2003 definition of an unviable council to be one with fewer than 5,000 residents and less than \$10M total income per annum.

**3.2** Many councils believed they were being nominated for amalgamation on the basis of financial performance yet they argued that they had little control over many of the factors that affect their finances. They also believed that amalgamations will not solve these financial problems. This view was perhaps best expressed by one witness during the public hearings, who said:

The issue for me is that structural reform is something that should be left to communities but should come at the end of all the other issues that are creating financial difficulties for councils, which is what is driving the structural reform.<sup>37</sup>

**3.3** In his address to the 2003 Shires Association Annual Conference, the Premier of NSW, the Hon RJ Carr MP, indicated that the financial position of local government was clearly on the agenda:

<sup>35</sup> Hon RJ. Carr, MP, speech presented to Annual Conference of Shires Association, June 4 2003, p8

<sup>36</sup> Section 263(3)(a) requires a consideration of economies or diseconomies of scale to be made of any proposal for an amalgamation

<sup>37</sup> Ms Roslyn Irwin, Lecturer, School of Social Sciences, Southern Cross University, Evidence, 27 October 2003, p55

...one-quarter of all shire councils are living on the edge of economic viability. That figure should be zero. Each council should, at a minimum, be fully self-sustaining and have something set aside to cope with unforeseen shocks.

**3.4** The Premier concluded his address by saying:

So let's come back to this conference next year with fewer but stronger councils. Let's bring an end to the annual ritual of the Minister naming poor performing councils in Parliament. Let's see councils with stronger balance sheets, better equipped to serve the people who pay their way, the ratepayers of NSW.

I look forward to your constructive proposals for reform. This is your moment, your opportunity. Seize it, because the shape of local government for the next fifty years is in your hands.

**3.5** In his July 2003 letter to all local government authorities the Minister for Local Government the Hon Tony Kelly MLC, raised areas of financial concern, including that expenditure by local governments on asset maintenance is not keeping pace with the rate of deterioration; that 116 councils spent more than they earned in income; and that the Department of Local Government has 30 councils on financial watch. The Minister also stated:

While the State Government provides for increases to rate revenue each year through general income variations and special variations for specific purposes, many councils find it difficult to manage. The community cannot continue to pay higher rates without receiving quality services.

Structural reform is one option. It is time to examine the position of councils to help them to maximise the effective and efficient delivery of local government services and facilities to local communities.

There is nothing to suggest that existing arrangements for the structure, areas and number of local councils are ideal.

**3.6** The Government is clearly concerned about the financial position of local government and is prepared to implement structural reforms to help address this problem. However, the Committee has clearly heard that reform must go beyond boundaries and organisational issues to also address the fundamental structure of its funding. It should also be noted that rate-pegging, unfunded mandates and the imposition of government charges have contributed to the financial position of local government.

## **The cost of providing local government**

**3.7** The *Local Government Act 1993* confers on councils their various functions. These are categorised as:

- service provision
- regulatory
- ancillary (acquisition of land, powers of entry onto property)
- revenue raising

- administrative
- enforcement (with respect to the Act).

**3.8** The service provision (non-regulatory) function of a council as described in the Act is appropriately very broad and provides wide latitude regarding its service provision functions:

A council may provide goods, services and facilities and carry out activities, appropriate to the current and future needs within its local community and of the wider public, subject to this Act, the regulations and any other law.<sup>38</sup>

**3.9** Local government authorities also have functions conferred or imposed upon them by a number of other Acts. In many instances these additional functions incur a financial cost on the part of councils.

**3.10** A council's rate-derived revenue does not fully cover the cost of exercising its functions. In evidence, the General Manager of Pittwater Council described one aspect of the relationship between revenue and cost:

We need to understand that councils do two fundamental things: provide services to the community and manage the assets. I do not know that there has been sufficient focus on understanding those fundamentals. Our problem is that the way in which we attract revenue is only partially related to the way we deliver services. That is a problem because the community's expectations do not line up; there is no clear nexus between the service and the charge. There is an even bigger problem in the asset area because there is no nexus between the rates and asset management.<sup>39</sup>

### **Increasing costs and unfunded mandates**

**3.11** A universal concern of council and shire representatives giving evidence to this inquiry was that costs have and continue to increase at a far greater level than the revenue they receive in rates and funding.

**3.12** Increasing costs are the general increases in the cost of procuring goods and services and in particular the payment of wages due to inflation and award increases. These are the normal increases in operating costs with which any corporation or business entity must deal.

**3.13** However, the issue that attracted the most concern was that of unfunded mandates. During the inquiry the term 'unfunded mandates' was taken to refer to situations where a decision, action, inaction, or legislative reform by the State Government results in an additional or increased cost to local government without any, or adequate, financial compensation being provided to local government.

<sup>38</sup> *Local Government Act 1993 s. 24*

<sup>39</sup> Mr Angus Gordon, General Manager, Pittwater Council, Evidence, 23 October 2003, p48

**3.14** In general, unfunded mandates can be categorised as follows:

- Increases in charges and levies imposed on local government.
- Additional or new costs associated with regulatory functions imposed on local government.
- State imposed concessions or exemptions from rate-payments, such as pensioner concessions and non-payment of rates by the State government (eg State Forest plantations and voluntary conservation agreements).
- Costs associated with providing additional services that were previously provided by the Federal or the State Government.
- Costs associated with providing services required by the community in the absence of them being provided by the State Government (eg aged care and youth facilities).
- Costs incurred as an indirect result of government and industry decisions (eg increased strain on rural roads due to closure of railway lines and use of larger trucks).

**3.15** Numerous specific examples of the above were listed in submissions received and cited in evidence during the inquiry. Some examples were repeated among almost all submissions, while some were specifically relevant to rural or metropolitan areas. The evidence given by the Deputy Mayor of Bathurst City Council is indicative of the concerns expressed by inquiry participants regarding increased costs and unfunded mandates:

First, local government in New South Wales has an inadequate and unsustainable funding arrangement. Severe limitations on the ability of local government authorities to raise revenue, combined with a growth in expenditure, have severely limited and restricted local government in fully addressing the infrastructure, social and cultural needs of its community. In particular, over the past eight years the expenditure of New South Wales councils has grown ten per cent more than their revenues. Local government taxes are a stable revenue base. However, they do not grow at the rate of other taxation regimes, and they have been constrained by other spheres of government. This along with cost shifting, significantly contributes to the worsening of the vertical fiscal imbalance in local government financial situations.

Cost shifting occurs in both explicit or obvious and more subtle ways. Obvious ways include recent legislative reforms, such as the Companion Animals Act, and other reforms as outlined in our submission. Some of the more subtle impacts on local government we would describe as Federal and State Government abrogating their responsibilities. These are on issues such as provision of child care, social and welfare services, and cultural and community services to our community.

**3.16** The Deputy Mayor gave several specific examples of unfunded mandates:

During the six-year period the contributions to the Board of Fire Commissioners have totalled \$683,774. If the contributions were pegged at the same level as local government rating, the contribution would have been \$325,508 during that period. Therefore, it can be seen that Bathurst City Council has lost \$358,266 from its own projects in that period.

For the Companion Animals Act, during the same period council has been required to find in excess of \$305,000 from other projects, and in the 2003-04 year alone is

required to find \$60,491 in addition to rate-pegged expenditure from 1996-97. The insidious nature of cost-shifting and rate-pegging becomes apparent only in the medium and long term when the financial integrity of the council is threatened and the assets deteriorate to a clearly unacceptable level.<sup>40</sup>

- 3.17** Similarly, the Local Government Association, in evidence, echoed the general concern that revenue was not keeping pace with costs:

We know that for many years the rate-pegging limit has done little more than cover wage increases. In real terms, money available for everything else has gone backwards. This has occurred at a time when local government has provided an ever-increasing range and quality of service to its communities.

If you look at cost movements over the five-year period from 1997 to 2002 you can see that in that time average weekly earnings went up by a total of 30 per cent, council expenses went up by over 23 per cent and we were granted a total of only 16.4 per cent in rate increases. The State Government has commented, as part of the reform debate, that local government has not kept up with infrastructure maintenance and renewal. In some cases we have not. Rate pegging has ensured that.<sup>41</sup>

- 3.18** The Mayor of Gunnedah Shire decried the fact that local government was the poor relation with respect to the distribution of taxation dollars, despite the fact that it was having to take on larger and wider government responsibilities:

At the moment for every one dollar of tax raised across Australia, 80 cents goes to the Commonwealth, 16 cents to the States and 4 cents to local government. We are constantly being fed these unfunded mandates, which are highlighting more and more issues we have to be responsible for. We hope this inquiry will highlight this issue and the fact that we are not getting sufficient recompense for the amount of work that is being handed back to us.<sup>42</sup>

- 3.19** Many participants in the inquiry commented on the fact that the State Government often appeared unaware of the impact of unfunded mandates. This impression would not have been dispelled by the comments of the Director General of the Department of Local Government when giving evidence:

I am not sure what you mean by unfunded mandates. In some cases, councils claim there is an unfunded mandate, and in other cases councils are just doing what is normally expected of them. So I am not sure I actually understand what you mean by that term.<sup>43</sup>

- 3.20** The Director General went on to say that in some instances the Department had provided special rate variations to councils to compensate them for increases in these types of costs. However, he also commented that:

<sup>40</sup> Ms Katherine Knowles, Deputy Mayor, Bathurst City Council, Evidence, 24 October 2003, pp15-16

<sup>41</sup> Mr Peter Reynolds, Executive Member, New South Wales Local Government Association, Evidence, 4 November 2003, p9

<sup>42</sup> Ms Roslyn Swain, Mayor, Gunnedah Shire Council, Evidence, 4 November 2003, p44

<sup>43</sup> Mr Garry Payne, Director General, Department of Local Government, Evidence, 23 October 2003, p34

...the community cannot provide unlimited resources.<sup>44</sup>

### ***The Committee's view***

- 3.21** We are concerned that neither the Department nor any other agency has taken a proactive role in identifying the impact of unfunded mandates on council finances. It is not possible to focus on council's financial difficulties without recognising the impact decisions by other agencies can have on this position.
- 3.22** In evidence the Director General advised that the Department did examine policies put forward by other agencies in terms of the financial impact, the social impact and the impact on councils generally and make comment in that regard – if they are asked to.<sup>45</sup>
- 3.23** Given the broad range of local government responsibilities due to the fact that it is the level of government closest to the community, it is difficult to imagine any government policy that would not have a potential impact and in many cases a potential financial impact on councils. We believe there is significant room for improvement on the part of the State Government in identifying the impact its decisions are having on local government. This may require proposals to Cabinet to contain local government impact assessments, or other mechanisms which ensure that the impact on local government is considered in decision making.

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### **Recommendation 1**

That a formal process be established whereby all State Government policy and legislative proposals are assessed for their financial impact on local government.

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- 3.24** Notwithstanding any change of focus on the part of the State Government regarding the magnitude of the costs that are being shifted onto local government, there remains the question of how local government can meet those costs. There is consensus among local government that a fundamental change to their revenue base is required in order for it to be able to keep pace with increasing costs and to effectively manage its resources and provide appropriate services. The options presented to the inquiry are discussed from paragraph 3.72 onwards. We believe this is crucial to the future of local government, and that it is far more important than the number or size of councils which exist in New South Wales.

### **Maintenance and depreciation of infrastructure**

- 3.25** As noted at paragraph 3.5, one of the primary concerns of the Minister for Local Government that prompted the call for structural reform was the fact that expenditure on asset maintenance was not keeping pace with its rate of deterioration.

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<sup>44</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p34

<sup>45</sup> Mr Payne, Evidence, 23 October 2003, p37

- 3.26** During the public hearings several councils argued they had been unfairly identified as appropriate candidates for amalgamation on the basis of the impact of depreciation accounting standards on their financial reports. Some Committee members queried whether much of the explanation of the makeup of the Department of Local Government financial watch list was due to depreciation effects. It was similarly canvassed in hearings whether there is a marked difference between the number of dollars that actually need to be spent to bring infrastructure up to standard and the depreciation on infrastructure that is now part of the local government accounting system.
- 3.27** Regardless of the interpretation of the validity of depreciation reporting, maintenance and depreciation of assets is not only an issue on paper. It is a significant practical issue and one seemingly beyond local government's current financial capacity, regardless of any improvements that might come from structural reform:
- ...We have a general concern arising from councils' annual reports about the number of dollars that would be needed to bring infrastructure up to a satisfactory standard. It is quite a large figure. You may dispute how councils apply that valuation. It really does not matter; the fact is that is still a large figure.<sup>46</sup>
- ...but if you look at it realistically the money is not there and it has not been there for some time.<sup>47</sup>
- 3.28** A witness representing the Property Council of Australia, spoke of a looming infrastructure crisis<sup>48</sup> and most council witnesses confirmed this view. The cost of bringing infrastructure up to standard in itself presents as a supporting case for a fundamental change to the revenue base for local government. Options for this are discussed at the end of this Chapter.

## Local government revenue sources

- 3.29** The *Local Government Act 1993* lists the main sources of council finance as being:
- rates (of which there are two kinds: ordinary rates, and special rates)
  - charges
  - fees
  - grants
  - borrowings
  - income from business activities
  - income from land

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<sup>46</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p39

<sup>47</sup> Mr Reynolds, Local Government Association of NSW, Evidence, 4 November 2003, p15

<sup>48</sup> Mr Ken Morrison, Executive Director, New South Wales Policy, Property Council of Australia, Evidence, 23 October 2003, p27

- income from other investments
- sales of assets.<sup>49</sup>

**3.30** The NSW Department of Local Government states that rates and annual charges revenue is generally the most important source of revenue for councils followed by grant revenue. These sources of revenue are relatively stable from year to year and allow councils to plan and use sound financial budgeting methods to achieve their objectives.<sup>50</sup>

**3.31** During the public hearing on 23 October 2003, the Director General was asked whether he considered the current level of revenue available to local government to be adequate, particularly in relation to local revenues, rates and State and federal grants:

**Mr PAYNE:** I am concerned about councils' reliance on grants, which is a fact of life. Of course they cannot be guaranteed in the future. There is an inquiry looking at that.

**The Hon. RICK COLLESS:** But it is the only option councils have given that we have rate pegging.

**Mr PAYNE:** That is true. We have rate pegging but councils have the capacity to go outside it with special rate variations. For instance, in the past five years about 140 or 150 councils have sought special rate variations. There is that capacity and I do not think it is fair to say that councils must simply accept the annual rate-pegging limit and not do anything else. If they want to go ahead with some programs, they can do so subject to our approval—and we would approve most. Councils across the board generally bring in 50 per cent of their revenue in rates and the other 50 per cent comes from other sources, largely grants. We obviously encourage councils to think of other, innovative ways to generate revenue. They do not need us to tell them to do that. The reliance on grants is a concern. We work with councils on rating structures to ensure that their existing rates base is structured appropriately and that one section of the community is not being disadvantaged unnecessarily as opposed to another. The other large component of the revenue of non-metropolitan councils is water and sewerage, which is not pegged.<sup>51</sup>

**3.32** In 2001-2002 the State average for rates and annual charges as a percentage of overall sources of revenue from ordinary activities was 47.5%. The State high was 70% while the State low was 16%.<sup>52</sup> In dollar terms the annual residential rate base for NSW councils in 2003 ranged from a low of \$82.14 to a high of \$1,015.34.<sup>53</sup> Similarly, the State average for grants as a percentage of overall sources of revenue from ordinary activities was 17%, with a high of 59% to a low of 5%. Clearly there is considerable variation among councils in their reliance on different sources of revenue.

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<sup>49</sup> *Local Government Act No 30*, Chapter 15, p267

<sup>50</sup> Department of Local Government, *Comparative Information on New South Wales Local Government Councils 2001-2002*, p60

<sup>51</sup> Evidence, 23 October 2003, p39

<sup>52</sup> Department of Local Government, *Comparative Information on New South Wales Local Government Councils 2001-2002*, p61

<sup>53</sup> *NSW Council Rate Bases – Residential 15 July 2003*, tabled by Mr Peter Reynolds, 4 November 2003

## **Rates**

- 3.33** Council rates are currently the primary source of income for local government (although, for some rural councils this can be as low as 16% of total revenue). In submissions and during evidence to the inquiry many and varied views were expressed regarding the level at which they should be charged, whether they should be viewed as a service charge or as a tax, and the consequences of the current rate-pegging regime.

### ***Rate-pegging***

- 3.34** New South Wales is the only State to have a rate-pegging system. Among councils and their representative bodies there is general dissatisfaction with the current rate-pegging regime. Many councils are frustrated at the lack of autonomy with respect to their primary revenue source, especially when they are held accountable for the effective financial management of their domain.<sup>54</sup>
- 3.35** Most inquiry participants were pragmatic in their submissions and evidence and conceded that rate-pegging was unlikely to be abolished. Indeed some councils stated they had no problem with a rate-pegging system, but they did believe the current system required review.
- 3.36** One of the criticisms of the rate-pegging system is the fact it has led to historical inequities between councils, that existed at the time of the system's inception, being locked in and compounded. The President of the Local Government Association presented a local example during the public hearing on 4 November 2003:

In Tamworth, the major regional centre, the average residential rate is almost \$572 a year. The neighbouring council, Parry, has an average residential rate of only \$328. Manilla is charging its residents only \$171.53. You see interesting discrepancies and anomalies right through the categories. The farmland rate in Manilla is almost \$1,500 per year per property, while Parry charges only \$687. This anomalous situation is replicated right across the State. It came because rate pegging locked these inequities in. Councils were rating their communities differently, and 26 years ago those inequities and anomalies were locked in.<sup>55</sup>

- 3.37** Witnesses also spoke of the compounded negative effect that can arise from a council deciding not to take up the full allowable rate increase in one year which can place them further and further behind the 'eight-ball' forever more.<sup>56</sup> The magnitude of this problem was related to the committee by the Director General of the Department of Local Government:

In past years we have found councils have run themselves into problems when they have foregone a rate increase, for whatever reason. Whether it be local politics or whatever, they have decided not to take it. The trouble is that once a council does not take a rate increase, it compounds. In fact, this year a council that we had supported for a fairly large increase was \$12 million to \$15 million behind because it had not taken increases some years before.<sup>57</sup>

<sup>54</sup> Mr Peter Veneris, General Manager, Hume Shire Council, Evidence, 5 November 2003, p29

<sup>55</sup> Dr Sara Murray, President, New South Wales Local Government Association, Evidence, 4 November 2003, p10

<sup>56</sup> Professor Graham Sansom, Director, UTS Centre for Local Government, Evidence, 23 October 2003, p12

<sup>57</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p41

**3.38** The Director General concluded by advising that the Department, mindful of these consequences, openly encourages councils to make sure they do take the full increase.<sup>58</sup>

**3.39** A decision by a council to take up less than the full increase is not always a political one. However, a decision based on assessment of community needs is penalised just the same as a political decision. The Mayor of Hume Shire explained:

Last year, Hume Shire did not take up its full rate pegging opportunities, and some would say that was an improper thing for us to have done, but we are a rural-based shire. We knew that having come through the worst drought in living memory that people were not going to be in a position to face rate hikes at this stage.<sup>59</sup>

**3.40** The option to limit increases in some years and then recoup those foregone increases in following years would provide a flexibility that is sympathetic to the boom and bust nature of rural economies.

**3.41** In evidence the General Manager of Pittwater Council described another of the constraints of the current rate pegging system is that it can make forward financial planning difficult:

We do 90 per cent of our capital projects out in the private sector...Of our total expenditure, around 60 per cent is spent in the private sector. We have difficulty entering into some long-term contracts because, under the rate-pegging as it stands at the moment, we do not know whether we would be in a position to sustain those contracts because we know that rate-pegging will not keep pace with inflation. This means the assets of the community are suffering. I would be surprised if anybody would argue that there has not been a running down of the assets because of rate-pegging.<sup>60</sup>

**3.42** The Department of Local Government encourages councils to implement global forward planning, which might include a case for a special variation over a number of years. However, even if the plan is endorsed in principle by the Department during negotiations, councils are still required to make application for the variation each year.

### ***Are rates too low?***

**3.43** During the public hearings at Parliament House on the 23 and 27 October, both Mr John Mant, lawyer and town planner, and Professor Graham Sansom argued that rates are too low in New South Wales:

Put bluntly, the third issue is whether we can continue to have good local government on the cheap. The average residential rate in this State, excluding garbage, water and sewer services where they are provided, is about \$2 a day. It is not quite the ABC 8¢-a-day bonanza, but it is pretty cheap. We have loaded all sorts of extra demands into the system, but we imagine that we can continue at that level. I am not convinced that we can.<sup>61</sup>

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<sup>58</sup> Mr Payne, Evidence, 23 October 2003, p41

<sup>59</sup> Ms Karyl Osborne, Mayor, Hume Shire Council, Evidence, 5 November 2003, p28

<sup>60</sup> Mr Gordon, Pittwater Council, Evidence, 23 October 2003, p50

<sup>61</sup> Professor Sansom, UTS Centre for Local Government, Evidence, 23 October 2003, p11

**3.44** Mr Mant emphasised his view on the serious consequences of the low level of rate revenue contributing to the decline in infrastructure:

Rate-pegging has been a disaster in my view, particularly for future generations. The present generation, which is a very wealthy generation, is not paying sufficiently for the maintenance of the common property.

...My view of local government is that it has a lot of power to provide for its community and it has a lot of capacity to use its human resources much better. It should now be free to go to its communities and say, "We want to charge \$100 per year more. If you give us \$100 per year more we will do the following things." I think many communities would be very happy with that sort of arrangement.<sup>62</sup>

**3.45** During evidence the Committee members engaged Mr Mant in a hypothetical discussion on the case for significantly raising rates. Members of the committee were concerned that there should be an equitable way of raising rates to fund infrastructure, and interested if there would be a need for a mechanism by which to monitor and perhaps control actions by individual councils.<sup>63</sup>

**3.46** This exchange did lead to the illumination of the point that any investigation of, or future action that may be taken with respect to the rate-pegging system needs to take into account that local government is not a uniform entity but one that reflects the geographic and community variances within the State:

...Many shires are really just essentially local road authorities and I think there is a case to be made for a number of those roads and bridges to be funded by other than the immediate property owners. There is some recognition of that in the road grants and so on but I think that if you were going to put pressure on the ratepayers at Woolhara and the like then you do not necessarily apply the same principles to the farmers in the sparsely populated rural areas which you would apply to Hunters Hill, North Sydney and Woolhara.<sup>64</sup>

**3.47** This concern that any new system would need to accommodate cases of disadvantage was also touched on by Professor Sansom:

...Local rates are not a bad taxation measure. I think we can make better use of them and raise more money through them. It would mean getting serious about measures to do with cases of genuine disadvantage. We have not really gone into that very much in local government. So, we would certainly have to have a closer look at how a regime of higher rates impacted on disadvantaged people and what councils individually or collectively could do about that. I simply think it is an under-utilised area of taxation.<sup>65</sup>

**3.48** Rates alone cannot be seen as the sole answer to councils' funding shortfall. This is reflected in the statement by the Director General of the Department of Local Government:

<sup>62</sup> Mr Mant, Evidence, 27 October 2003, p40

<sup>63</sup> See, Evidence, 27 October 2003, pp41-42

<sup>64</sup> Mr John Mant, Evidence, 27 October 2003, p42

<sup>65</sup> Professor Sansom, UTS Centre for Local Government, Evidence, 23 October 2003, p16

Of course, the community cannot provide unlimited resources.<sup>66</sup>

### ***Alternative rate models***

**3.49** In evidence the Shires Association of NSW stated that the Minister for Local Government and Treasury are 'well in advance in their support for an improved system of rate-pegging'.<sup>67</sup>

**3.50** The President of the Shires Association stated:

...The policy position of both associations [Shires and Local Government Associations] is not to have rate-pegging. But we are well aware that somehow we must work within that policy position of government. I would be satisfied if the Government were to look at the new rate determination model that we have put before it. It will make a hell of a difference to the financial base of councils throughout New South Wales.<sup>68</sup>

**3.51** The Committee heard that the Associations' model includes the capacity for councils to seek and be granted up to five years of rate variation at once. These multi-year variations would need to be linked to a strategic or management plan that would inform the community what they would get in return for the variations.<sup>69</sup> It also includes a formula for a reasonable calculation for the yearly increase – 'a bit like a CPI for local government'; full payment of rates by government;<sup>70</sup> and the capacity to, over time, end the current historical rating inequities across the State and thus achieve a greater level of parity.<sup>71</sup>

### ***The Committee's view***

**3.52** On the basis of submissions and evidence received we conclude there is a universal agreement among local government that the current rate-pegging system needs to be reviewed. We believe that any consideration of a new rating determination model must take account of the current structural reform process and the consequences of the potential amalgamations desired by the government. This reform process could see the amalgamation of a number of councils whose various communities have quite different land uses and capacities to pay. The Deputy Mayor of Bathurst City Council acknowledged this need:

Absolutely. When talking about reform on this scale, you would have to look at various rating structures. As I said before, this is not about Bathurst applying its current model and formulas and way of operating to the surrounding regions. This is about the emergence of a whole new system. It will take time to work through that. Certainly equity and fairness need to be factored into the development of those formulas. There is no doubt that Bathurst City Council also believes in the reality of

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<sup>66</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p35; and, Evidence, 14 November 2003, p6

<sup>67</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p2

<sup>68</sup> Ms Miller, Evidence, 23 October 2003, p3

<sup>69</sup> Dr Murray, Local Government Association of NSW, Evidence, 4 November 2003, p10

<sup>70</sup> Mr Reynolds, Local Government Association of NSW, Evidence, 4 November 2003, p9

<sup>71</sup> Dr Murray, Evidence, 4 November 2003, p14

cross-subsidising areas of lower population. That is the basis of a fair society in Australia and it would be continued in the local government area.<sup>72</sup>

- 3.53** It is not within the capacity of this Committee to recommend in specific detail what should be included in any reviewed rating and rate-pegging model. Rather, we note that the knowledge of what is required is held by the professionals – that is, the local practitioners and their representative bodies. It is our recommendation that the Government should take this opportunity to meaningfully involve local government in a review of the current system. No-one believes the current situation should continue.

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### **Recommendation 2**

That the State Government, as a matter of urgency, review the rating and rate pegging systems in partnership with the Local Government and Shires Associations of NSW.

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### **Financial assistance grants**

- 3.54** Financial assistance grants (FAGs) are ‘untied’ funds (not tied to a specific purpose) that the Commonwealth grants to local government under the *Local Government (Financial Assistance) Act 1995* through the respective State governments. FAGs to local government are supplied to States as ‘tied’ (for specific purpose) but once distributed to local government are ‘untied’. They comprise two components: ‘general purpose’ and ‘local roads’.
- 3.55** In evidence the Director, Performance Management and Compliance, Department of Local Government who is also a departmental representative on the Grants Commission provided a basic overview of the financial assistance grants process:

**Mr GIBBS:** There is a formula that is prepared. The grants are split into two components: a local roads component and a general component. The general component looks at two aspects of councils: one is their revenue raising capacity, and the other is expenditure needs. It is on the expenditure needs that the disability factors come into play. There is a range of disability factors that the Grants Commission looks at it when calculating what the great amount should be. At the end of the day, the whole amount is completely untied, the general purpose and the roads component, so that the council can then spend it on whatever purpose it likes. The purpose of the grant is to compensate the council for relative differences between councils. It is not designed to absolutely compensate them for particular issues. There is simply not enough money to do that. We operate within a limited pool of funding from the Commonwealth. The grant is distributed under Commonwealth grant principles set out in Commonwealth grants legislation.

**CHAIR:** Your department does the distribution, does it not?

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<sup>72</sup> Ms Knowles, Bathurst City Council, Evidence, 24 October 2003, p18

**Mr GIBBS:** Yes, according to the formula for all councils. That has to be approved at the Federal level. When we come up with the amount for the grant, that goes back to the Federal Minister, who approves the actual amount.<sup>73</sup>

**3.56** During the inquiry there was little comment provided on the grants system or criticism on the methods by which they are disbursed, compared to that provided on the rates system. This is likely a reflection of the fact that practitioners viewed other aspects of the funding debate as being more relevant to a State parliamentary committee.

**3.57** Many councils in submission and evidence did contend that the current allocation methodology of financial assistance grants was a disincentive for amalgamations. It was argued that if one or more councils amalgamated they would likely suffer a net reduction in the amount of FAG monies the new council would receive as opposed to the combined amounts they would have received as separate entities. This was of particular concern to some rural councils for whom grants comprised a significant percentage of their overall revenue.

**3.58** In their joint submission, the Local Government and Shires Associations explained their position on the financial implications of amalgamations for financial assistance grants:

Structural reform will not diminish the total Financial Assistance Grants pool allocated to local government in NSW. However, boundary changes and amalgamations do have the potential to redistribute the allocations between councils. Some reconstituted councils may lose a proportion of their grants while others may gain grant funding under the current distribution methodology. The effects are unclear but in theory the net result should be increased grants to councils with higher degrees of relative disadvantage.

The Associations have sought assurance from the Minister for Local Government that the combined Financial Assistance Grants payments to councils involved in amalgamations will not be reduced in the first term of the reconstituted council. This is to provide for a smooth transition and to help ensure that a potential reduction in grant funding is not a deterrent to amalgamation.<sup>74</sup>

**3.59** In its submission to the House of Representatives inquiry into Local Government and Cost Shifting, the NSW Local Government Grants Commission advised it had a principle that in the event of council amalgamations, the new council would receive grants for two years as if the council had remained separate entities and any subsequent change may be phased in at the discretion of the Commission.<sup>75</sup>

**3.60** While structural reform of NSW local government in itself will have no effect on the pool of FAG monies, there is an inherent problem with this revenue source. This was stated by the Director General of the Department of Local Government:

I am concerned about councils' reliance on grants, which is a fact of life. Of course they cannot be guaranteed in the future. There is an inquiry looking at that.<sup>76</sup>

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<sup>73</sup> Evidence, 23 October 2003, pp35-36

<sup>74</sup> Submission 176, Local Government Association of NSW & Shires Association of NSW, pp23-24

<sup>75</sup> House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes: A Fair Share for Responsible Local Government*, October 2003, p87

<sup>76</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p39

### ***The Cost Shifting inquiry and report***

- 3.61** The House of Representatives Standing Committee on Economics, Finance and Public Administration recently conducted an inquiry into Local Government and Cost Shifting. It released its report 'Rates and Taxes: A Fair Share for Responsible Local Government' in late October 2003.
- 3.62** The report recommends the design of a new methodology for the distribution of FAGs to local government on the basis of a national model. The new model would be designed and phased in over a three-year period. Among other things, it is recommended that the distribution of funds would be based on equalisation principles rather than a per capita basis, and that funds would be paid direct to local governments.
- 3.63** It is likely that such a model would see the amount of funds received by local government in New South Wales reduce as a proportion of the total amount of FAGs distributed nationally. Within that likelihood, some councils could receive an increase in funding and some councils could potentially receive none.

### **Other sources of ordinary revenue**

- 3.64** The Department of Local Government encourages councils to think of other innovative ways to generate revenue.<sup>77</sup> The capacity to generate additional revenue varies from one council to another due to firstly the opportunities available and secondly the willingness of a council and or a community to embrace such opportunities.
- 3.65** The Executive Manager, Organisational Performance of Newcastle City Council outlined that council's approach to raising additional revenue, and, in doing so, highlighted the difference in opportunities that exist for councils:

We look to impose fair fees and charges wherever possible. Having said that, we are in not what I would regard as a high-charging council. We have free admission to our regional museum and art gallery. In the past we have looked at fees but have decided not to go down that path. So I would not consider we are a high-charging council with regard to fees and charges. Over the last 12 or 13 months we have benefited from the decision to transfer the parking police responsibilities to local government.

We are one of the few councils that have substantial metered parking and so on, and that has been a substantial financial benefit to council. Having said that, we have also had extremely high costs, and one of the community's greatest concerns is the availability of parking within our central business district. It may well be that we need to provide additional parking through parking stations, and that is something we are currently looking at for the future.<sup>78</sup>

<sup>77</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p39

<sup>78</sup> Mr John Waghorn, Executive Manager, Organisational Performance, Newcastle City Council, Evidence, 27 October 2003, p47

**3.66** During the public hearings we heard that service charges have been the main area of growth for some time. This was a recognition by councils that individual ratepayers were bearing the cost burden for all council services regardless of whether or not they were receiving all of them, so councils loaded in much more fee-for-service into the overall revenue picture.<sup>79</sup>

**3.67** The Shires Association of NSW argued that this source may have little more room for growth:

There are two real areas in which local government can charge. One is the rates area, which is pegged, and the other is the fees and charges area. There may be opportunities with gaming, tourism and other special sectors to recover fees for service. However, our studies show that local government recovers a lot more from fees and charges than the other spheres of government do, and that area is probably saturated. So the real question about financing local government is getting access to a growing area of revenue.<sup>80</sup>

### **Proportion of National Competition Policy Payments**

**3.68** The decision by the State government not to pass on a proportion of National Competition Policy (NCP) Payments to local government was raised during the public hearings and cited in a number of submissions to the inquiry. The position of the State Government contrasts with the position taken by the governments of Victoria, Western Australia, and Queensland where local government has been allocated 9%, 4%, and 20% of their respective competition payments.<sup>81</sup>

**3.69** In their joint submission to the inquiry, the Local Government and Shires Associations noted that the NSW Government received over \$681 million in competition payments over the years 1997-1998 to 2001-2002. The payment for 2002-2003 was \$252 million and NSW government is set to receive a further \$257 million in 2003-2004. Under current arrangements there will be further increases through to 2005-2006.

**3.70** The Associations noted that the competition payments are only a temporary measure and that a share of the payments would not provide for a long-term improvement in local government's financial base. However, a share of payments would have helped compensate for the costs of implementing the NCP.<sup>82</sup>

**3.71** At the end of this chapter there is a recommendation on securing the economic viability of local government through access to a growth revenue stream. If a choice had to be made between either providing local government with a proportion of NCP payments or providing it with a model for access to a continuing growth taxation/revenue base the Committee considers that the latter is the most necessary action.

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<sup>79</sup> Professor Sansom, UTS Centre for Local Government, Evidence, 23 October 2003, p16

<sup>80</sup> Mr David Hale, Acting Executive Director, Local Government and Shires Associations of NSW, Evidence, 23 October 2003, p6

<sup>81</sup> Submission 176, Local Government, and Shires Associations of NSW, p9

<sup>82</sup> Submission 176, Local Government and Shires Associations of NSW, p9

## The need for a growth revenue stream

**3.72** There was a strongly held consensus among participants in the inquiry that the fundamental reform required for local government is a mechanism by which they can gain access to a growth revenue stream. This is particularly so given the stated objective of the current structural reform process. In evidence, Professor Kevin Sproats advocated an examination of the way local government is resourced:

...if we are talking about—and this is what I would advocate—a serious new look at what local authorities might well be, we need to look at the way they are resourced...In the course of what you are deliberating and in your recommendations to the Parliament, if you are seriously looking at new forms of local governance you must also look at new ways of resourcing them.<sup>83</sup>

**3.73** Even without developing new forms of local governance, it can be argued that a true acknowledgement of how the role of local government has already changed is enough in itself to warrant a change to its funding base.

### Roads, rates and rubbish – and a whole lot more

**3.74** On a number of occasions during the public hearings witnesses made reference to a time when the role of local government could be encapsulated in the phrase ‘roads, rates and rubbish.’<sup>84</sup> Witnesses invariably made this reference to highlight the fact that these days the role of local government can no longer be easily or universally defined.

**3.75** The President of the Shires Association of NSW explained this transformation:

I believe in the last 20 years the services of local government have gone from rates, roads and rubbish to a real community service obligation. Communities are expecting a lot more services from local government. The State and Federal Government have foisted different responsibilities onto local government without any consideration of resourcing those responsibilities. In rural areas local government has gone beyond providing normal services to using some of its budget to attract doctors – paying for housing or some other kind of incentive just to keep doctors in our hospitals. There is an expectation now that councils will do that.<sup>85</sup>

**3.76** These comments were echoed by Mr Michael Ryan of Orange City Council at the public hearing on 24 October:

...They seem to be changing all the time. Going back, people spoke about the three Rs—roads, rates and rubbish—being the major issues. But, of course, we are finding more and more that—apart from the basic infrastructure services, which are a given—there is a much greater demand on councils to meet social obligations. We are very heavily involved, under the State Government's auspices, in dealing with matters like

<sup>83</sup> Professor Kevin Sproats, University of Western Sydney, Evidence, 27 October 2003, p18

<sup>84</sup> There is debate at what point in the past this description could be held to be valid, see transcript of evidence for 23 October 2003 at p14

<sup>85</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p2

aged care, day care for children and a lot of those social issues which, back in time, were not a primary role of local government.<sup>86</sup>

- 3.77** Throughout the inquiry, it was said that the fears of many rural residents was that their rates would rise appreciably as a result of amalgamations.<sup>87</sup> The Committee heard firsthand that 'rural ratepayers, in general, have modest expectations and they are happy to pay a minimum base rate in return for lesser services.'<sup>88</sup> The Mayor of Evans Shire spoke to this issue on behalf of his community:

A rural council is created to cater for rural lifestyle and rural values and expectations. This was acknowledged by the State Government in the 1970s when some doughnut councils, as in the case of Evans, were established.<sup>89</sup>

There is within the community a fear that unwanted services might be imposed by, let us say, a supercouncil; that people, particularly within villages within the shire, who have adequate septic and other services, might have other, more elaborate impositions made upon them. Yet they live there because they believe that what they have is substantially adequate.<sup>90</sup>

- 3.78** In many councils, rural ratepayers are prepared to accept less of the traditional council services – such as tarred roads and modern sewerage - in return for lower rates. The paradox is that their councils often have to expend some of their revenue on things such as medical services – an activity beyond the traditional role of councils and one rarely required of metropolitan councils.
- 3.79** Councils now provide a full range of services to their communities, not only services that directly benefit properties and property-owners. As such, there is an argument that all of the community should contribute towards the cost of these community-wide services. The General Manager of Hume Shire Council gave his perspective on this argument in evidence:

...I tend to support the general structure we have at the moment where two of the most significant sources of revenue for councils are rates and a share of Commonwealth revenue through the financial assistance grants. I support that view because it is appropriate, given council's evolving role that it get its revenue from landowners who benefit from property-related services, but it is also important that individuals as taxpayers make a contribution to local government services. We are a very mobile society. We do not necessarily work or send our kids to the school in the same region in which we live. Some residents in local government areas are not ratepayers, but they can still access council services, such as libraries and parks. It is important that they make a contribution as taxpayers. The share of Commonwealth revenue should be adjusted in a way that it keeps pace with the expanding role of local government. That is where reform is needed.<sup>91</sup>

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<sup>86</sup> Mr Michael Ryan, Senior Director, Technical Services, Orange City Council, Evidence, 24 October 2003, p5

<sup>87</sup> Mr John Byrne, Mayor, Evans Shire Council, Evidence, 24 October 2003, p25

<sup>88</sup> Mrs Marjorie Bollinger, Evidence, 24 October 2003, p51

<sup>89</sup> Mr Byrne, Evans Shire Council, Evidence, 24 October 2003, p22

<sup>90</sup> Mr Byrne, Evidence 24 October 2003, p24

<sup>91</sup> Mr Veneris, Hume Shire Council, Evidence, 5 November 2003, p29

**3.80** During evidence when putting his case for a general overall rise in rates Professor Graham Sansom argued that the public is paying too much federal tax and not enough local tax.<sup>92</sup> However, if there was an increase in local tax; a decrease in federal tax would not naturally follow as a consequence. It would also be fair to say that most, if not all, taxpayers feel that they are already paying enough in taxes. Rather than place the onus on one section of the community – ratepayers – recourse should be made to the taxation contribution already made by the entire community.

**3.81** An indication of additional burden that would be placed on ratepayers if they were to be viewed as the sole remedy to the financial position of local government was provided during evidence by the Local Government Association of NSW. Describing the new rate determination model it had developed, an executive member said:

...the model we have produced...will give us a correct increase in relation to the expenses that we incur. In the past few years if we had received the increase in the model we would have received something like \$200 million a year extra over the past four years, which would have given us an extra \$800 million, which would have been a huge boost to local government. If that were to be put in place it would put local government on a footing so that it would get at least what it should get to cover its future expenses.<sup>93</sup>

**3.82** The Mayor of Yarrowlumla Shire made the point that access to taxation as a funding source, in addition to rates, for local government is inherently democratic:

The financial considerations should best be resolved through growth revenue, possibly based on a percentage of GST. This would put councils on a viable footing and be more democratic as all of our residents as taxpayers and not just our ratepayers would be contributing. Unlike many of my colleagues on Yarrowlumla council and our management, I do not support removal of rate pegging. Rural residential development has created considerable demand over the years and high land valuations in our shire. It is not unusual for a vacant block of land on the new residential subdivision to be sold for more than \$50,000 a hectare. The result is higher rates in areas where there are few if any perceived services. Guaranteed growth revenue from general taxation areas is needed, as I previously said, so all residents and not just ratepayers contribute a fair share.<sup>94</sup>

### **Access to taxation revenue**

**3.83** As noted previously, there was a consistent call, in evidence and submissions, for local government to given access to growing revenue base. The most frequent call was for an allocation of the GST.

<sup>92</sup> Professor Sansom, UTS Centre for Local Government, Evidence, 23 October 2003, pp11-12

<sup>93</sup> Mr Reynolds, Local Government Association of NSW, Evidence, p15

<sup>94</sup> Mr Terence Branson, Mayor, Yarrowlumla Shire Council, Evidence, 5 November 2003, p41

**3.84** Other revenue sources raised by participants in the inquiry included stamp duty<sup>95</sup> and land tax<sup>96</sup>, which logically present as other revenue raised from property value which is in many ways a result of council activity.

**3.85** In their joint submission to the inquiry the Local Government and Shires Associations of NSW outlined the decline in Commonwealth Financial Assistance Grants as a percentage of total operating revenue for councils in New South Wales. They stated their belief that the current Commonwealth government is more likely to argue that state governments should meet the additional needs of local government, particularly considering the revised Commonwealth/ State funding arrangements since the introduction of the GST.<sup>97</sup>

**3.86** This expectation that councils should be given access to the NSW Government's share of GST revenue was discussed with Mr John Mant during evidence:

**The Hon. RICK COLLESS:** ...Your comments about also distributing taxes federally and so on, is it not possible that the States themselves could distribute the GST?

**Mr MANT:** Yes, it is, or parts of it, because the GST is, in part, a substitute for income tax. We certainly took the view when I was in the Federal Government that part of the income tax should be distributed particularly on account of councils and that they should be encouraged to provide more than strata title type services and that for those, given that the people they were providing services to were not all property owners, there ought to be a share of income tax that goes to councils. I think that the State certainly should be looking at that but I would hope it was in the context of a proper look at local government finance.<sup>98</sup>

**3.87** The President of the Shires Association in evidence reiterated the basic conclusion reached by both Associations with respect to an adequate funding base:

There can be no argument with the conclusion that local government requires a stronger financial base. The current funding arrangements are clearly inadequate to meet the expanding roles and responsibilities of local government. Funding requirements cannot be met only by increased special purpose payments or other one-off measures. There needs to be a stable, long-term solution. This involves either permanently increasing financial assistance grants to the States [FAGS] as a percentage of GDP and fixing it at a higher proportion of total Commonwealth tax receipts and/or providing for a direct allocation of a portion of the GST revenue to local government.<sup>99</sup>

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<sup>95</sup> See, Mr Bruce Lucas, Mayor, Hunters Hill Council, Evidence, 27 October 2003, p25; and Mr Bransdon, Yarrowlumla Shire Council, Evidence, 5 November 2003, p46

<sup>96</sup> Mr John Mant, Evidence, 27 October 2003, p44

<sup>97</sup> Submission 176, Local Government Association of NSW & Shires Association of NSW, p3

<sup>98</sup> Evidence, 27 October 2003, p42

<sup>99</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p23

- 3.88** The Shires Association was questioned on their call for a set allocation of GST and whether they costed the actual percentage of GST required to provide a workable funding base:

**Ms MILLER:** I have no idea. I think sometimes we put figures forward. David might be able to answer that better than I could. I would be happy with half a per cent. Let us be honest here: we will take whatever we can get.

**Mr HALE:** The principle of talking about an allocation of GST is giving local government access to a growing revenue base, if you like, rather than the current arrangement, under which local government has access to a declining revenue base. GST is the growing revenue base that the other spheres of government have access to. It simply puts us on an equal funding footing, if you like, and it would be one of the methods of allowing local government to respond to community expectations for growing services, by having access to a growing revenue base.<sup>100</sup>

- 3.89** We did not hear any argument on the relative merits of the several growth revenue sources that were suggested, however the hypothecation of a percentage of the GST to local government was the option that was mentioned most often. For many councils it was a case of not caring about from where the money might come as long as it does come.

### ***Conclusion***

- 3.90** We share the belief of the peak associations and many councils across the State that local government critically needs access to a growth revenue stream. Local government cannot continue to fund increased services due to community expectations, unfunded mandates, and maintain deteriorating infrastructure within its existing revenue structure. Local government is facing a funding crisis.

- 3.91** The objective of the current structural reform process is to have councils with stronger balance sheets that are better equipped to serve their local communities. The Director General of the Department of Local Government was asked whether he envisaged that councils, taking into account any efficiencies that might accrue from the current reform process, would ever be able to adequately meet their infrastructure costs while relying on the current revenue and funding structure:

**CHAIR:** In your evidence on 23 October you stated that you were concerned about councils' reliance on grants especially as these grants cannot be guaranteed in the future. You also raised the department's concern over the councils' infrastructure renewal needs stating that it was undeniably a large figure. Is it your view that councils will be able to meet that infrastructure cost without recourse to a new funding stream such as a proportion of the GST or NCP payments? If so, how?

**Mr PAYNE:** I do not have the answer to that, the figure is not going to go away, and they are large. I do not think there is one single answer to the problem, it is a complex one, the flow of funds in is one issue and that needs to be maintained and equally the capacity and efficiencies generated at the ground are another. I suspect at the end of the day like everywhere else there will still be a gap. What we are trying to do is to minimise the gap. I can only concentrate the department on the efficiency and performance level. We have limited influence on things like the overall level of grants

<sup>100</sup> Evidence, 23 October 2003, p5

although we do make submissions to the Federal Grants Commission; and the State Grants Commission regularly tours around councils but at the end of the day all we are moving is a pot of money so if we increase a level of grant to one council it costs another council and that is the problem with the system we have now.<sup>101</sup>

- 3.92** Local government deserves and is entitled to a new and larger 'pot of money'. It is our strong view that local government urgently requires a guaranteed access to a growing revenue base in order to provide the wide range of services that it does to the various communities it services and in order to remain economically viable.

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### **Recommendation 3**

That the State Government enter into a funding agreement that provides local government with access to a growing revenue base, and that it determine the most appropriate revenue base and allocation percentage in consultation with the Local Government and Shires Associations. This consultation should include an examination of the Federal Government hypothecating a percentage of GST to local government.

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<sup>101</sup> Evidence, 14 November 2003, p14

## Chapter 4 Improving local governance

Throughout this inquiry, the Committee has heard that the structural reform of local government must go beyond mere boundary changes or amalgamation. Unless some of the fundamental problems confronting local government are fixed, it is argued, no amount of fiddling with boundaries will improve the performance of local government.<sup>102</sup> As noted in the previous chapter, addressing the precarious financial position of local government is seen as a major priority for reform.

The Committee has also been told about the pressing need to enhance local 'governance'. Various ways to improve governance are discussed in the following pages, including: boosting the capacity of the Department of Local Government to provide strategic support, encouraging the popular election of mayors, funding precinct committees and developing a partnership between State and Local Government. The chapter begins with a brief discussion of what is meant by 'governance' or more to the point, *good* governance.

### Good local governance

- 4.1** Governance refers to the 'wide range of arrangements in which people seek to solve social problems or create social opportunities.'<sup>103</sup> Government is the *instrument* that we use to realise this goal.<sup>104</sup> When people talk about *good* governance, they are generally referring to 'a system that is transparent, accountable, just, fair, democratic, participatory and responsive to people's needs.'<sup>105</sup>
- 4.2** While there has been considerable discussion in Australia about the importance of good *local* governance, Kevin Sproats argues that recent local government reform has focussed on management and efficiency, rather than ways to achieve better governance.<sup>106</sup> In his view, any discussion of structural reform should be approached from a 'governance point of view':

There is an urgent need to now move into reform of governance structures that are more "macro", outward looking, regionally focussed, strategic...the next decade should move from administrative reform to establishing new political management structures that are effective and command community respect.<sup>107</sup>

<sup>102</sup> Submission 53, Mr John Mant, p2

<sup>103</sup> Kooiman J, 'Social-Political Governance: Overview, Reflections and Design', *Public Management: An International Journal of Research and Theory*, Vol 1, (1) pp 67-92 (check)

<sup>104</sup> Porter J, 'Sustainability and good governance: Monitoring participation and process as well as outcomes', December 2002 p2 paper presented at Sustaining our Communities conference, Adelaide, 2002, <http://www.clg.uts.edu.au/Research/WebsitePorterAdelaidePaper.PDF>

<sup>105</sup> Hodge G, 'Who Steers the State When Governments Sign Public-Private Partnerships', *The Journal of Contemporary Issues in Business and Government*, 2002, Volume 8, Number 1, p11

<sup>106</sup> Sproats, K, NSW Government Commission of Inquiry, *Inquiry into the Structure of Local Government in Eight Council Areas in the Inner City and Eastern Suburbs of Sydney*, April 2001, p49

<sup>107</sup> Sproats, 2001 op cit, p48

- 4.3** Professor Sansom, the Director of the Centre for Local Government at UTS, believes that people are looking to local community life as some kind of 'anchor in a turbulent sea of change':

In thinking about this many times over the years I am also very much convinced of the value of local democracy and people's desire to have the sense of local belonging and representation. You tamper with that at your peril.<sup>108</sup>

### **Keeping the 'local' in local government**

- 4.4** People's identification with their locality and attachment to their council or shire is a major theme of this inquiry.

There is an unbelievable community spirit in Hunters Hill. I will be accused of championing my own patch, but in my 62 years I have never seen a community spirit and sense of belonging anywhere else as within that municipality.<sup>109</sup>

- 4.5** While such feelings are not confined to regional and rural areas, it is often argued that these ties are different, if not stronger in the country:

In my experience rural people take local government far more seriously than urban people.<sup>110</sup>

Our villages...are our local centres, centres from which we gain our sense of community and where we look after each other as self-reliant communities...there is a rural outlook that does not necessarily pertain in the cities...Unless we can retain that within our community we will have a problem.<sup>111</sup>

- 4.6** A major concern expressed by inquiry participants is the impact of amalgamation on local governance in smaller communities:

At the end of the day, the issue is delivery of services to the people. It is my being able to walk down the main street of Singleton and stop and talk to people, who will talk to me about an issue, or going out and visiting one of the wineries with family or friends and talking to the people at the wineries about local issues. That is what they expect of their elected representatives. They will not get that in a larger organisation.<sup>112</sup>

Local Government is really the last line of defence to protect the social and economic infrastructure within small local communities. Many of the Council employees are integrally involved in the community in many capacities. The removal of local government from some communities will potentially take those people out of a local community to its detriment.<sup>113</sup>

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<sup>108</sup> Professor Graham Sansom, Director, UTS Centre for Local Government, Evidence, 23 October 2003, p13

<sup>109</sup> Mr Phillip Jenkyn, Hunters Hill Municipality Coalition, Evidence, 27 October 2003, p31

<sup>110</sup> Mr Glenn Inglis, General Manager, Parry Shire Council, Evidence, 4 November 2003, p27

<sup>111</sup> Mr John Byrne, Mayor, Evans Shire Council, Evidence 24 October 2003, pp22&26

<sup>112</sup> Mr Frederick Harvison, Mayor, Singleton Council, Evidence, 27 October 2003, p5

<sup>113</sup> Submission 13, Murray Shire Council, p4

## **Improving the representativeness and structure of local government**

**4.7** Submissions and evidence suggested various ways to improve local governance. These include improving the quality of development control decisions, the popular election of mayors, more appropriate remuneration of councillors and providing funding for precinct committees. The Committee acknowledges there were many different views on these issues.

### ***Failure to apply separation of powers to local government***

**4.8** John Mant argues that the failure to properly apply the 'separation of powers' doctrine to local government is a serious obstacle to effective governance. This is especially apparent in relation to development control decisions.<sup>114</sup>

As any student of the separation of powers doctrine recognises, Parliamentary bodies do not make good Executive or Judicial bodies. So it is with the operation of Councils...Councils do not exercise their judicial-like functions (development control decisions) with much regard to the principles of natural justice.<sup>115</sup>

**4.9** Mant explains that people subject to judicial decisions are entitled to the application of due process rules. These rules imply certain rights, including the right to be heard, to ask questions of other parties and for a decision to be made on the evidence before a hearing. However, most decision processes undertaken by Councils do not comply with these criteria, because:

- there is seldom a proper hearing process due to the parliamentary procedures under which councils meet
- the opportunity to address council is limited
- councillors are often lobbied beforehand and may well have regard to matters that are not disclosed at the hearing
- the right to ask questions of all parties may not be given
- comprehensive reasons for decisions may not be given
- council meetings follow parliamentary procedures which are inappropriate for resolving disputes or providing fairness to parties
- individual councillors are caught between looking after the interests of their electors and those of individuals.<sup>116</sup>

**4.10** Mant argues that the controversy that often surrounds local development decisions, highlight the problems caused by the failure to apply the separation of powers. In an attempt to reduce some of these problems, Mant suggests the establishment of additional Independent Hearing and Assessment Panels (IHAPs), as currently operate in Fairfield, Liverpool, Waringah and Mosman Councils. The panels aim to ensure that complex or significant development applications are submitted to a rigorous and transparent process.<sup>117</sup> The Panels conduct

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<sup>114</sup> Submission 53, Mr John Mant, pp3&5

<sup>115</sup> *ibid*, p3

<sup>116</sup> *ibid*, p6

<sup>117</sup> Sproats 2001 *op cit*, p31

hearings, prepare a short report and recommendation to Council which then makes the final decision.<sup>118</sup>

- 4.11** The role of IHAPs has been examined by several recent inquiries into the development assessment system in NSW.<sup>119</sup> The most recent review, by the Regulation Review–Local Development taskforce, (the Bird report)<sup>120</sup> comments favourably on the potential of these panels to assist councils with their development assessment role. Nevertheless, the review also points out their disadvantages. These panels may introduce further delay in processing applications, keep objectors at arms length from councillors and are unsuitable for councils with a low number of complex applications.<sup>121</sup>
- 4.12** Notwithstanding these potential limitations, the review recommends that the Department of Infrastructure, Planning and Natural Resources (DIPNR) and the Department of Local Government provide for the consistent establishment of these panels across local government areas. A similar recommendation was made recently by the Land and Environment Court Working Party.<sup>122</sup>
- 4.13** While the Independent Commission Against Corruption also commented positively on the role of IHAPs, it stopped short of recommending their establishment, instead suggesting that DIPNR undertake an assessment of these panels in conjunction with various councils across NSW.<sup>123</sup>

#### ***The Committee's view***

- 4.14** The Committee is well aware of the difficulties that often accompany council development control decisions. Recent reviews of the planning system in New South Wales are optimistic about the potential of IHAPs to improve the decision making process. However, in our view, the role and impact of these panels should be formally evaluated before any decision is made to expand their reach.

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<sup>118</sup> Submission 53, Mr John Mant, p7

<sup>119</sup> Report of the Land and Environment Court Working Party, September 2001; Independent Commission against Corruption, *Taking the Devil out of Development: Recommendations for Statutory Reform*, Position Paper, December 2002, and the Regulation Review -Local Development Taskforce (the Bird Report) October 2003.

<sup>120</sup> Bird, N, *Improving Local Development Assessment in NSW – Report of the Regulation Review – Local Development Taskforce*, October 2003. (The Bird Report)

<sup>121</sup> *ibid*, p65

<sup>122</sup> *ibid*, p69

<sup>123</sup> *ibid*, p68

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## Recommendation 4

That the Department of Infrastructure, Planning and Natural Resources and the Department of Local Government conduct a formal study, including a review of current studies, on the costs, benefits and functioning of various methods for determining council planning development decisions, including Independent Hearing and Assessment Panels.

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### The relationship between elected members and staff

- 4.15** In his evidence to the Committee, Professor Sansom commented on the tensions generated by applying a 'business management' model to a democratic institution like local government. This model encourages a separation of roles between councillors and senior management: councillors are expected to exercise community leadership and set policy, while management are responsible for implementing policy and getting the job done. He notes that recent local government reforms highlighting the importance of effective management and efficiency have to a large extent enhanced the role of executive staff, at the expense of elected representatives.<sup>124</sup>
- 4.16** Ms Roslyn Irwin from Southern Cross University has also noted this trend:
- Much of what is happening in local government is being driven by the staff of councils rather than by the elected representatives. I think they have got lost somewhere in the process.<sup>125</sup>
- 4.17** Sansom argues that such a strict division of labour is neither feasible nor desirable. It might be appropriate if local councils were merely Boards of Management. However, a more expansive, 'governance' approach to local government, such as that put forward by Kevin Sproats, suggests local government should be about strategic governance, not just service delivery. Strategic governance, he argues, requires a continuous exchange of views on policies and programs between councillors and management. He also suggests that councillors in other jurisdictions both in Australia and overseas, play a much greater executive role than is presently the case in NSW.
- 4.18** During this inquiry, Sansom and other witnesses have offered various suggestions to promote better collaboration between councillors and management, including the establishment of joint working groups of councillors, officials and community representatives, increased rights for managers to intervene in debate at council meetings and the direct election of mayors.

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<sup>124</sup> Sansom G, *Blurring the line: sensibly blending the roles of councillors and managers can produce better local government*, Paper delivered to the National Congress of Local Government Managers, Brisbane, May 2001.

<sup>125</sup> Ms Roslyn Irwin, Southern Cross University, Evidence 27 October 2003, p52

### Popularly elected mayors

**4.19** Mayors may be elected by councillors or by the electors. A popular election of a mayor will only occur if agreed to at a constitutional referendum of all electors. In most cases, mayors are elected by councillors (approximately 150 out of 172)<sup>126</sup> If elected by councillors, their term is one year while a mayor elected by the electors holds the office for the full four year term of the council.<sup>127</sup> While there is considerable agreement on the comparative advantages and disadvantages of either approach, many of the witnesses to this inquiry tend to favour popularly elected mayors.

**4.20** A significant advantage of popularly elected mayors is their longer term of office.

...with an annually elected mayor you have three months of someone settling into the job, six months of effective work and three months of getting ready for the next election...The sort of issues I am talking about strategically need longer-term views and give an opportunity for a mayor to have some authority in a region, together with other mayors, of building some regional governance and strength.<sup>128</sup>

**4.21** Ms Ros Irwin also believes that four years provides an opportunity to put some 'long-term, visionary measures into place and make things happen'. While there is no 'perfect' system, she thinks the community should '...elect the person who will be the ceremonial head of their city. And, if they [the community] make a poor decision, they might make a wiser one next time.'<sup>129</sup>

**4.22** The Director General of the Department, Mr Garry Payne also tends to favour popularly elected mayors because of the certainty of the four-year period:

As a department we go through annual election of mayors and the games that are brought about by that and I get some of the backwash.<sup>130</sup>

**4.23** Despite the advantages of popularly elected mayors, there are distinct disadvantages. For example, Mr Payne recognises that 'if you get a popularly elected mayor that is no good, you are stuck with them for four years',<sup>131</sup> a concern shared by the Mayor of Inverell Shire Council:

Some people feel that popular election of the mayor gives the opportunity for the whole community to decide, but it also locks them into that person for four years, and it could be said - I hope present company excepted - that maybe that person might be a popular person but not necessarily a provider of good governance.<sup>132</sup>

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<sup>126</sup> Mr Payne, Department of Local Government, Evidence 14 November 2003, p14

<sup>127</sup> ss 227-230, *Local Government Act 1993*

<sup>128</sup> Professor Sproats, University of Western Sydney, Evidence 2003, p22:

<sup>129</sup> Ms Irwin, Southern Cross University, Evidence p58

<sup>130</sup> Mr Payne Evidence, 14 November 2003, p14

<sup>131</sup> *ibid*, p14

<sup>132</sup> Mr Barry Johnston, Mayor, Inverell Shire Council, Evidence, 14 November 2003, p24

- 4.24** Professor Sansom notes that if a mayor does not have the authority of the floor or the chamber, it can be 'tortuous'. And Ms Irwin raised the possibility that a group of people may manipulate preferences to ensure they get the mayor that suits them.<sup>133</sup>
- 4.25** It is interesting to note that in the recent regional review conducted in the ACT region, Professor Maurice Daly advocated the popular election of the mayors.<sup>134</sup> This is also reflected in the Government's Local Government Amendment Bill which would allow the Director General of the Department of Local Government to decide whether or not a mayor in a particular area should be popularly elected.<sup>135</sup> However, in both cases, the rationale for the proposal is not offered.

### ***The Committee's view***

- 4.26** Inquiry participants hold mixed views on the merits or otherwise of popularly elected mayors. One way to increase the number of popularly elected mayors would be to reverse the presumption in favour of councillor-elected mayors in the *Local Government Act 1993*. This would mean that all mayors would be popularly elected, *unless* a majority of the electors voted against this course at a constitutional referendum. However, if such a step were taken it would be imperative to introduce additional accountability measures to ensure mayors are fully accountable to council during their four year term. Given the concerns raised by inquiry participants about the potential limitations of popularly elected mayors, we will refrain from recommending that the current presumption in favour of councillor-elected mayors be reversed.
- 4.27** A period of one year is an inadequate amount of time for a mayor to have an impact on longer term, strategic issues. We consider that two years would be a more realistic timeframe for a councillor to implement their ideas and reforms.

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### **Recommendation 5**

That section 230 of the *Local Government Act 1993* be repealed by extending the term of councillor-elected mayors from one to two years.

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### **Councillor remuneration**

- 4.28** Councillor remuneration was raised as an important governance issue during the inquiry. Witnesses, including the respective Presidents of the NSW Local Government Association and the Shires Association of NSW, argue that current levels of remuneration are inadequate:

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<sup>133</sup> Ms Irwin, Southern Cross University, Evidence, 27 October 2003,

<sup>134</sup> Daly M, *Proposal for the creation of a New Southern Tablelands Council*, October 2003, p32

<sup>135</sup> cl 209 (4) and (5) Local Government Amendment Bill 2003

One of the problems for the democratic representation of people on local government is the amount we pay.<sup>136</sup>

I have never been in local government for money; I am there because I love it and I want to make a difference. But there are not many people in my position who could do that.<sup>137</sup>

**4.29** It is generally argued that better remuneration could improve the representativeness of local government:

Most councillors are over the age of 45 and many of them are over 60. Councillors are mostly men and they are mostly white Anglo Saxon Protestants. From my perspective one of the things that is really missing in local government is having young voices. I suggest that we should have fewer local government representatives on a council but that they should be paid full time. That will actually encourage young people who simply cannot be there at the moment because it gets in the way of their lives or their jobs.<sup>138</sup>

... in the increasing complexity of governments to be a councillor, and to be a young councillor who is not a self-funded retiree, it is an incredibly difficult commitment to make. I think that is why perhaps it is also reflective of a very homogenous type of group that make up local government representation.<sup>139</sup>

**4.30** Witnesses contrasted the level of remuneration in NSW with Queensland where some councillors receive approximately 75 or 80 per cent of the salary of a member of Parliament.<sup>140</sup>

**4.31** It was suggested that councillor remuneration was even more of an issue if there is to be a continuing trend towards amalgamation and councillors are expected to represent a larger number of electors:

...if you really want to attract competent people to better manage a larger area...we have to have the opportunity for remuneration that more adequately reflects the cost and time of full acceptance of that responsibility.<sup>141</sup>

**4.32** Mr Payne expressed his personal view that if councils are amalgamated there should be fewer councillors with an increase in fees to meet the additional demands, especially if they were assigned 'portfolio' responsibilities. While he recognises that some mayors may put in more than a full-time effort, the Local Government Remuneration Tribunal does not consider they should be remunerated on this basis.

We have full-time people in councils, and that is the general manager and staff the remunerations tribunal has consistently said that there needs to be a level of community volunteer service in local government.<sup>142</sup>

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<sup>136</sup> Dr Murray, NSW Local Government Association, Evidence 4 November, 2003 p12

<sup>137</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p8

<sup>138</sup> Ms Ros Irwin, Southern Cross University, Evidence, 27 October 2003, p53

<sup>139</sup> Ms Katherine Knowles, Deputy Mayor, Bathurst City Council, Evidence, 24 October 2003, p19

<sup>140</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p8

<sup>141</sup> Mr Johnston, Inverell Shire Council, Evidence, 14 November 2003, p24

<sup>142</sup> Mr Payne, Department of Local Government, Evidence, 14 November 2003, p12

### ***The Committee's view***

- 4.33** Although we acknowledge that community volunteerism is an important aspect of local government, we disagree that these positions should be largely unpaid. Given the growing importance and complexity of local government, this rationale cannot be sustained. There is a broad consensus among inquiry participants that adequate remuneration is essential if we are to attract councillors who are more representative of the communities they are there to represent.
- 4.34** There is a pressing need to review the level of councillor remuneration. Under the *Local Government Act*, the Local Government Remuneration Tribunal is empowered to 'make such inquiry the Remuneration Tribunal thinks necessary' and has wide latitude in the manner in which it conducts such an inquiry.<sup>143</sup> We believe it is an opportune time for the Tribunal to hold a general inquiry into the remuneration of councillors.

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### **Recommendation 6**

That the Local Government Remuneration Tribunal undertake an inquiry into councillor remuneration, including the need and likely impact of remunerating councillors on a full time basis.

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### **Representation levels**

- 4.35** A major issue raised during the inquiry was the impact of an amalgamation on representation levels in a council area.<sup>144</sup> Many areas facing the prospect of amalgamation fear there will be fewer councillors to represent their concerns and that this will have a detrimental effect on their communities, as this exchange between a committee member and the Mayor of Weddin Shire demonstrates:

**THE HON RICK COLLESS:** What effect would it have on your council if you went down to 1 to 4,000 as opposed to 1 to 400 that you currently have.

**MR SIMPSON:** Our ratepayers would be absolutely appalled at such a thing. One would have to worry about anyone who says that is good.<sup>145</sup>

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<sup>143</sup> section 243, *Local Government Act 1993*.

<sup>144</sup> Under *Local Government Act 1993* a council must have at least 5 and not more than 15 councillors (one of whom is the mayor, s 224, *Local Government Act 1993*

<sup>145</sup> Mr Simpson, Mayor, Weddin Shire Council, Evidence, 24 October 2003, p13

- 4.36** Councillors in country areas believe that a lower representation ratio would make it extremely difficult for councillors to be involved in a broad range of local issues:

We have 1 councillor per 700 ratepayers. If we go into an amalgamated model, for example with Orange and Cabonne, which was suggested from the point of view of Orange City Council, it will be 1 councillor to 3,600 or 3,700. Let me tell you we are not perfect. In our 1 to 700 ratepayers, we still have ratepayers at the end of our shire that we probably do not do justice to. Heaven forbid if it becomes a 3 to 1 situation.<sup>146</sup>

- 4.37** This is a particular concern for people in larger geographic areas:

...travel times do need to be considered, just as a rule of thumb I would have thought that an hour and a half travelling out to the extremities of a shire and an hour and a half back might indicate that that should be the extent of your boundary.<sup>147</sup>

- 4.38** However, several inquiry participants do not agree that fewer councillors equals poorer representation. In his 2001 report on amalgamations in eight Sydney councils, Professor Sproats concluded that:

No information put before this inquiry enables a definitive conclusion about the ideal number of councillors or the ideal representation ratio. What appears to be important is how opportunities are created which enhance democracy and allow the community to participate in information sharing and decision making.<sup>148</sup>

- 4.39** The Deputy Mayor of Bathurst does not consider that higher ratios are necessarily more democratic, in fact it may have the opposite effect:

I do not think there is an optimum ratio. I have not looked at that clearly but I think certainly to have 24 to 35,000 people is probably overdoing it...As a councillor our current ratio is about 1 to 2,800, and I am certainly very busy but I would suggest that I am adequately able to represent the people that I am elected to do so...The position of the council is that some councils are too large. It goes back to the old debate, if you want to get anything done do-it-yourself; or if you do not want to do anything form a committee.<sup>149</sup>

- 4.40** Justifying his recommendation that a new capital city regional council should have nine councillors, Professor Maurice Daly stated:

Generally the larger the number of people on a board or committee, the less effective is the body in making decisions.<sup>150</sup>

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<sup>146</sup> Mr John Davis, Mayor, Blayney Shire, Evidence 24 October 2003, p34

<sup>147</sup> Mr Paul Henry, General Manager, Inverell Shire Council, Evidence, 14 November 2003, p28

<sup>148</sup> Sproats 2001, op cit, p39

<sup>149</sup> Ms Knowles, Bathurst City Council, Evidence 24 October 2003, p19 & 20

<sup>150</sup> Daly M *Proposal for the Creation of a New Capital City Regional Council*, October 2003, p21

**4.41** Daly argues that this would produce a ratio in line with ratios in similar councils in NSW, (approx 1 councillor to 6,000 residents). He suggests that any concerns people may have about representation may be allayed by establishing precinct committees, with clearly defined responsibilities and a budget.

**4.42** Garry Payne also considers there may be other ways to ensure that amalgamated larger councils do not lose touch with the interests of its constituents away from the major centres:

If I may express the thoughts of Garry Payne, not necessarily endorsed, but it is possible that you have a larger council that has staff who are allocated responsibilities to look after certain areas. I hate the term "place managers" but that person has to keep an eye on the town and the area, ensures that they get an equal allocation of resources through the budget process, bids for the budget process and if something happens that is not budgeted for they can get in and get the works people out there to do it.<sup>151</sup>

**4.43** Some of the issues raised above are also dealt with in the next section on Precinct Committees.

### **Precinct committees**

**4.44** Precinct committees are generally perceived to be a positive mechanism for local governance:

I think they have excellent impact...A precinct committee can be allocated a bunch of things to do and be the major conduit. We have one surviving precinct committee in Lismore, which is in a village called The Channon. They still get together and tell us what their priorities are. The advantage of that from a councillor's perspective is when they come and say that this is what they want for The Channon you know that is what they want. It is very easy to support something that the community wants.<sup>152</sup>

**4.45** However, for these committees to flourish, they generally require council support:

On the council before last some of us got through a motion to establish precinct committees and they actually started. Then some of the councillors ran cold on the idea of other people being able to have some input into council decisions and they pulled them apart.<sup>153</sup>

**4.46** Professors Sproats and Daly suggest that precinct committee can be especially important for providing a voice for smaller communities in an amalgamated council. Armidale Dumaresq Council established local area committees after they were amalgamated in 2001. According to the Mayor, the appointment of duty councillors who are responsible for representing the committee's concerns to council and adequate funding (\$15,000 in the last budget) have contributed to their success:

<sup>151</sup> Mr Payne, Department of Local Government, Evidence, 14 November 2003, p4

<sup>152</sup> Ms Irwin Evidence, 27 October 2003, p55

<sup>153</sup> Ms Irwin Evidence, 27 October 2003, p55

Recently Wollomombi had its hall painted. They have had their toilets upgraded and there are a number of issues which we have been very careful to promote in the area committee. They worked very well indeed.<sup>154</sup>

- 4.47** In his recent regional reviews, Professor Daly recommended the establishment of precinct committees to address peoples' concerns about representation in the proposed new regional councils. Importantly, he argued that these committees should be well supported by their councils.

...the proposal contains the development of seven precinct committees with definite responsibilities and a supporting budget. These committees, nominated by the local community would focus on issues that are distinctly local, and would be empowered to safeguard and protect various aspects of local lifestyles and identity.<sup>155</sup>

### ***The Committee's view***

- 4.48** There is considerable support for precinct committees as an important mechanism for local governance, especially in larger, amalgamated councils. However, they require support and encouragement from their councils, including a reasonable level of guaranteed funding if they are to undertake their role effectively. Where use is made of precinct committees the Department of Local Government and the Local Government Associations need to encourage councils to properly fund precinct committees.

### **Dividing areas into wards**

- 4.49** Councils may, if supported by a majority of electors at a constitutional referendum, divide its area into wards of approximately equal number of electors.<sup>156</sup> The Committee heard from a small number of councils who believed wards were an effective way to ensure smaller interests were heard, especially in councils spread over a large geographic area:

The Hume shire is 1,900 square kilometres or thereabouts. We have a ward system in place. Three councillors are elected for each of the three wards...The fact that we have wards means that every committee meeting of every community organisation in Hume shire, be it the boating club, the parents and citizens association or anything else that might be taking place in the shire can be very sure, if not guaranteed, that they will have someone there who can represent the council. If they cannot, they will at least take an interest in what took place at that meeting.<sup>157</sup>

- 4.50** However, there is generally little support for the establishment of council wards, largely, it is argued, because they tend to over-represent the interest of a particular area, at the expense of the whole:

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<sup>154</sup> Cr Chetwynd, Mayor, Armidale Dumaresq Council, Evidence, 4 November 2003, p33

<sup>155</sup> Daly M, *Proposal for the Creation of a New Capital City Regional Council*, October 2003, p22

<sup>156</sup> ss 210 and 211, *Local Government Act 1993*

<sup>157</sup> Ms Osborne, Mayor, Hume Shire Council, 5 November, 2003, p30-31,

The LGA is clear in its intentions: that elected representatives are on the council to exercise community leadership for the whole council area, and not just particular parts of that area. Wards tend to be an obstacle to this happening.<sup>158</sup>

The trouble with wards, of course, is that you have two or three councillors looking after one ward and the rest do not really get involved in it. I would prefer the corporate body to take full account for an area. Having said that, I do appreciate the problems in the country in particular.<sup>159</sup>

## The role of the Department of Local Government

**4.51** The Department of Local Government is the central agency for Local Government in NSW. Its charter is:

To provide a range of continuous improvement mechanisms which encourage, assist and promote excellence in the operation of the local government sector, for the benefit of the wider community.<sup>160</sup>

**4.52** Inquiry participants' key concerns regarding the Department is the impact of its relocation from Sydney to Nowra and recent significant staff cuts. The Department's staffing has been reduced from approximately 180 to 60 people and the relocation to Nowra has meant that a number of very experienced officers have chosen not to stay with the department, which means there are far fewer experienced officers available to support local government. This was thought to be a particular problem for smaller councils with less strategic capacity.<sup>161</sup>

There have been times in the past where it has been helpful to be able to get advice at that level. In the past that has been available. At present it is not so available. As a personal opinion, I think the department is somewhat hamstrung in being able to carry out a role...what we do not have built within our system is a real systems improvement process in which we are driving improvement in local government and reforming local government through a positive and supportive process, generated through leadership by the State. I think the smaller councils, and particularly the country councils, find themselves in a difficult position because of that.<sup>162</sup>

**4.53** According to Professor Kevin Sproats, the Department's downsizing and relocation has led to a loss of important corporate knowledge:

My personal view is I would always advocate a strong, vibrant Department of Local Government. It is about dealing with reform in the governance area, pushing ahead with the governance issues...not just simply dealing with administrative matters of regulation and accountability...I think the Minister no longer has the resources to push ahead on those big issues.<sup>163</sup>

<sup>158</sup> Daly M, *Proposal for the Creation of a New Capital City Regional Council*, October 2003,p22

<sup>159</sup> Mr Payne, Department of Local Government, Evidence , 14 November 2003, p6

<sup>160</sup> Department of Local Government Annual Report - 2002/2003  
<http://www.dlg.nsw.gov.au/dlg/dlghome/documents/Reports/ar2003>.

<sup>161</sup> Mr John Waghorn, General Manager, Newcastle City Council, Evidence, 27 October 2003, p 50

<sup>162</sup> Mr Angus Gordon, General Manager, Pittwater Council, Evidence, p53

<sup>163</sup> Professor Sproats, University of Western Sydney, Evidence, 27 November, 2003, p21

- 4.54** Mr Payne, the Director General of the Department of Local Government, acknowledged that recent cutbacks had restricted that Department's ability to offer assistance to councils with strategic planning.<sup>164</sup>
- 4.55** In the previous chapter about local government finances, the Committee noted that many participants were critical of the Department's apparent failure to acknowledge the impact of unfunded mandates on local government, let alone take action to ameliorate these effects. It is recommended that the Department be funded to routinely review the financial impact of State Government policy decisions on local government. In Chapter 5, the Committee also observes the broad criticism of the Department's role in the current reform program, in particular, the lack of guidelines regarding the criteria for amalgamation.

***The Committee's view***

- 4.56** Given the Department's potentially invaluable role in supporting individual councils, as well as in pushing ahead on the 'big issues' facing local government, the reduction of departmental resources is extremely unfortunate. If the Government is serious about making local government more efficient and effective, it should be prepared to ensure the Department of Local Government is adequately resourced to pursue this objective and fulfil its Charter.
- 4.57** We note that NSW is the only State with a 'stand-alone' department of local government. In most other jurisdictions, this portfolio is housed within a larger department. Consideration could be given to housing this department within a larger portfolio, in order to take advantage of a greater level of resourcing, expertise and regional networks. However, as we received very little evidence on this specific issue, it is difficult for the Committee to make a strong recommendation regarding its appropriate location. The critical issue is not so much about whether to locate the department in a larger portfolio, but rather how well it is resourced to undertake its challenging role.
- 4.58** At the very least, the Government should evaluate the impact of the Department's relocation to Nowra, at least three hours drive from Sydney and not easily accessible by regional air services. It could be argued that a more centralised location would make it easier for departmental officers to assist councils to improve their governance, particularly in rural areas.

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**Recommendation 7**

That the NSW Government review the resourcing and location of the Department of Local Government with a view to enabling it to fulfil its charter.

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<sup>164</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p33

## Inter-governmental relationships

- 4.59** One of the most important issues relating to local governance raised by inquiry participants was the lack of an effective partnership between local, state and federal governments:

We ran a planning conference earlier this year but, to be frank, we had problems with both Federal and State representation at that conference. This is an example of the problems we face. Federal and State governments must take a much more serious approach to local government...<sup>165</sup>

We should be a partner in the process. We should be consulted on policy decisions that impact on us, otherwise we are simply there to have things passed down by State Government. That does not create a good relationship.<sup>166</sup>

- 4.60** Several people said that the relationship between the State and local government in NSW is poorer than other jurisdictions which have been much more inclined to experiment with ways to achieve closer collaboration:<sup>167</sup>

By comparison with other States, it is terrible. It really is.<sup>168</sup>

I have never had a sense about what successive State Governments have wanted local government to do...other States have been more inclined to experiment with ways and means of achieving much closer collaboration between State agencies and local governments than has occurred in New South Wales.<sup>169</sup>

- 4.61** This relationship is a whole of government issue, it is by no means the sole responsibility of the Department of Local Government. As discussed in the previous chapter, unfunded mandates epitomise the lack of a true partnership between the two levels of government: local government feels it is expected to foot the bill for an ever-expanding array of services and functions, with an ever dwindling funding base:

We want to provide services at the grass roots level...as long as it is appropriately funded ... We will provide the services but we need to have that genuine partnership and equitable distribution of the tax cake to make it happen.<sup>170</sup>

- 4.62** For many councils, it is not just about funding, but about being listened to. The Committee was told about several instances where a lack of communication had unfortunate consequences for councils and residents. For example, when the State Government introduced private certification<sup>171</sup> in the late 1990s, Pittwater Council met with the then Department of Urban Affairs and Planning, to discuss their concerns about the impact of the

<sup>165</sup> Mr Alex Gooding, Executive Director, WSROC, Evidence, 27 October 2003, p12

<sup>166</sup> Ms Irwin, Southern Cross University, Evidence, 27 October 2003, p56

<sup>167</sup> Professor Sansom, UTS Centre for Local Government, Evidence, 23 October 2003, p12

<sup>168</sup> Mr Stephen McGrath, General Manager, Singleton Council, Evidence, 27 October 2003, p6

<sup>169</sup> Prof. Sansom UTS, Evidence, 23 October 2003, p12

<sup>170</sup> Mr Max Kershaw, General Manager, Gunnedah Shire Council, Evidence, 4 November 2003, p48

<sup>171</sup> Councils have traditionally been responsible for supervising the construction of approved building development. The introduction of private certification allows the private sector to compete with councils to undertake this role.

new regime. The Council General Manager, Angus Gordon, said that few of these concerns were taken on board by the Department and the new system has had serious consequences, for Council and residents, including the loss of nine council planning staff to the private sector.<sup>172</sup>

- 4.63** Councils and others argued that unless these long-standing relationship difficulties between State and local government are resolved, local government will never reach its full potential.<sup>173</sup>

### **Developing an effective partnership between State and local government**

- 4.64** While the problems between State and local governments were frequently raised in evidence and submissions, little guidance was given on how to improve this relationship. Several witnesses suggested an essential first step would be to establish clear agreement on the respective roles and responsibilities of both levels of government:

This partnership would seek to define and clarify the function and role of local government and match this to resources. With such an understanding in place local government would welcome any new challenge.<sup>174</sup>

- 4.65** Some witnesses, including Alex Gooding, the Executive Director of WSROC, advocated holding some form of event at a regional or state level, where intergovernmental relationships, including respective roles, could be discussed.<sup>175</sup>

- 4.66** As mentioned in Chapter 2, a federal parliamentary committee recently released a report into Local Government and Cost Shifting. The report recommends the development of an Intergovernmental Agreement between federal, state and local government leaders on the roles and responsibilities of local government and the funding sources to meet these responsibilities. This would be followed by a summit on intergovernmental relations held by the Council of Australian Governments in 2005.<sup>176</sup>

- 4.67** However, several witnesses noted the limitations of a summit on local government. While he can see merit in the idea, Professor Sproats is concerned such an event could become a 'talk fest' especially if it sought to cover national issues and a wide range of council types and regions which have little in common:

For example, Pinjar, a local government authority in Western Australia has the same land area as Japan with 1,300 people living in it. That is an entirely different local authority from Blacktown City Council or Ashfield Council.<sup>177</sup>

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<sup>172</sup> Mr Angus Gordon, General Manager, Pittwater Council, Evidence 23 October 2003, p49

<sup>173</sup> Submission 134, Cooma-Monaro Shire Council, p4

<sup>174</sup> Mr Peter Reynolds, Executive Member, NSW Local Government Association, Evidence, 4 November 2003, p10

<sup>175</sup> Mr Alex Gooding, WSROC, Evidence, 27 October 2003, p12

<sup>176</sup> House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes: A Fair Share for Responsible Local Government*, October 2003, Canberra, pxvii

<sup>177</sup> Professor Sproats, Evidence, 27 October 2003, p21

- 4.68** Rather than holding a large one-off event, Mr John Mant suggested that more regular discussions between governments and agencies, tied to specific issues, might be a more productive approach:

I have always advocated what I call marble cake arrangements which allow for different levels of government to come together regularly to deal with issues and to be able to bring the right mix of interests and debate to whatever the issue happens to be, rather than trying to define, "This is your role and this is our role", because it never works like that.<sup>178</sup>

- 4.69** In his report on the regional review conducted in the ACT region, Professor Maurice Daly also refers to the benefits of regular meetings betweenS and local governments at a regional level to develop a more effective working relationship. Indeed, one of the rationales for recommending the establishment of two regional councils in the Southern Tablelands and ACT region is that it would allow these councils to develop a range of partnership agreements with State Government agencies to:

...clarify the roles and responsibilities of local government in the region, and ensure that local government has the resources to deliver its services efficiently and effectively.<sup>179</sup>

- 4.70** Other witnesses suggested the State Government should investigate state-local government protocols or partnership agreements, as has occurred in other States, including Tasmania, SA, WA and Queensland. These partnerships may include protocols on common roles, financial relations, and areas of joint activities and would assist with eliminating overlap and duplication.<sup>180</sup>

- 4.71** According to the Cost Shifting inquiry report, such partnerships are critical to effective local government reform:

Although the nature of the agreements varies, they represent an attempt to clarify priorities and rationalise the distribution of powers and resources between State and local governments...Partnership agreements enable States and local government to respond to the articulated needs of their communities through an agreed plan and dedicated resources.<sup>181</sup>

- 4.72** Unfortunately, it appears New South Wales has done very little in the way of pursuing such protocols:

Given the range of initiatives that have been implemented elsewhere and the relative lack of initiatives in this State it is clear that something is not right in the relationship. It does not seem to me to be anywhere near as productive as we want it to be.<sup>182</sup>

<sup>178</sup> Mr John Mant, Evidence, 27 October 2003, p39

<sup>179</sup> Daly M *Proposal for the Creation of a New Capital City Regional Council*, October 2003,p6

<sup>180</sup> House of Representatives, November 2003 op cit, p19

<sup>181</sup> *ibid*, p17

<sup>182</sup> Professor Sansom, UTS, Evidence, 23 October 2003, p12

***The Committee's view***

- 4.73** There is no question regarding the importance of intergovernmental relationships in New South Wales and its impact on local governance in this State. Less clear cut however, is how to develop a more cooperative relationship between the State and local governments. There may not be a single answer to this challenge, and like other States, we may have to experiment with different approaches.<sup>183</sup>
- 4.74** As a first step and to demonstrate its commitment to forging better relationships, the NSW Government should investigate successful partnership arrangements in other States, with a view to implementing such agreements in New South Wales. Because councils seek to provide local solutions to local problems, finding ways to encourage collaboration between State and local governments at the *regional* level is also critically important. Therefore, any future formulation of a state-local government partnership should consider the best ways to ensure constructive contact between councils and State Government agencies occurs on a *regular* basis, at a *regional* level.
- 4.75** A Local Government Summit may produce some positive results - at the very least it could give prominence to the challenges facing local government today. And given the possibility of a federal summit on governance arising from any implementation of the Cost Shifting report recommendations, it is important for the NSW Government to prepare for such an event.
- 4.76** However, we are mindful of the potential for a summit to develop into a “talk fest” and that there are already two annual conferences organised by the representative Associations for local government which consider state-wide issues.
- 4.77** For it to be a success, a summit would need to involve a broad range of interests, in addition to the official representatives of local government. It would also require support from the highest levels of government, including all relevant ministries, and be chaired by prominent and respected individual(s).

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**Recommendation 8**

That the NSW Government investigates options for developing a genuine partnership with Local Government. This would include identifying ways to expand opportunities for regular, regional discussions between State Government agencies and local government.

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<sup>183</sup> *ibid*, p12 — These initiatives include: negotiating protocols, setting up high-level forums of ministers and local government representatives and in Tasmania, Partnership Agreements and the Premier's local government council.

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## Recommendation 9

That the NSW Government convene a Summit on Local Government in 2004. The key objective of this event would be to clarify the respective roles and responsibilities of local and State Government in NSW. The outcomes of the Summit would inform any future discussions with the Federal Government regarding intergovernmental roles and local government funding. The Summit would also provide a basis for the development of a partnership agreement between the State and local governments.

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## Constitutional recognition of Local Government

- 4.78** Local government is not recognised in the Australian Constitution. In 1974 and 1988 constitutional recognition of local government was considered in referenda to change the Australian Constitution, but neither referendum was successful.<sup>184</sup> Inquiry participants expressed mixed views on the importance of gaining constitutional recognition:

Unless you give local government some degree of constitutional protection, the vote of the citizens who have voted in their local council hangs there by loose threads.<sup>185</sup>

I advise local government to prove itself so effective and valuable to communities that they will want it to have that recognition. It will then virtually have what it wants anyway.<sup>186</sup>

- 4.79** Given more pressing issues confronting local government, and that we received only minimal evidence on this issue, the Committee refrains from expressing an opinion on this matter.

## Conclusion

- 4.80** People feel deeply about their sense of local belonging and representation. A reform program that places financial matters far above people's desire to be listened to is likely to fail. While the Government's structural reform program provides an important opportunity to improve the efficiency of local councils, it also needs to nurture local political structures that 'command community respect'.<sup>187</sup> Good local governance will require a far better relationship between State and local government than presently exists in this State.

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<sup>184</sup> House of Representatives, 2003, op cit, p23

<sup>185</sup> Mr Gregory McLean, United Services Union, Evidence, 23 October 2003, p 24

<sup>186</sup> Professor Sproats, UWS, Evidence, 27 October 2003, p17

<sup>187</sup> Sproats 2001, op cit, p48



## Chapter 5 Amalgamations

The most strongly voiced concern during this inquiry was the perceived effect that amalgamations could have on the sense of identity and representation of rural councils in particular. This issue is examined in Chapter 4. In this chapter we examine how the views of residents and ratepayers should be incorporated into the amalgamation process.

This chapter reviews and makes comment on the Minister's structural reform program, and the series of regional reviews that he announced were to accompany and support the overall reform process. We consider the current process, and options for enhancing community involvement in considering amalgamation proposals. The Committee also briefly examines the debate on whether amalgamations are by themselves capable of delivering an improvement to the bottom line of financially troubled councils. Finally, we examine some issues that should inform actions both before and after the decision to amalgamate.

### The structural reform process and the regional reviews

#### The call for proposals for structural reform

- 5.1** On 3 July 2003 the Minister for Local Government, The Hon Tony Kelly MLC, sent a letter to all councils that raised financial issues of concern and set a deadline of 31 August 2003 for the submission of proposals for structural reform. In that letter he also announced that regional reviews would be conducted to assist councils to consider their options for structural reform.
- 5.2** The first regional review was not advertised until 19 September, that is, after the deadline for proposals by councils. In effect, councils had no guidelines on what issues their proposals should encompass. This lack of direction and guidance drew both praise and criticism from local government representatives.
- 5.3** The Director General of the Department of Local Government confirmed that it was a conscious decision not to provide guidelines.<sup>188</sup> The intent of this decision was to have councils and locals examine where they wanted to go in the future and to think laterally about how they would like local government services delivered in a particular area. The Director General confirmed that the proposals that were submitted ranged in quality – some very innovative proposals and some not so innovative. A lot of the proposals included extensive public consultation. We also heard that some proposals that included significant boundary or amalgamation proposals did not include much or any consultation, and caused much consternation in the local areas affected.
- 5.4** Initially the Shires Association of NSW was alarmed at the lack of direction from the Department. It then took the view that this was an opportunity for local government to showcase the services that councils are giving to their communities, as there was a belief that the State Government was not fully aware of the level and range of services that was being

<sup>188</sup> Mr Garry Payne, Director General, Department of Local Government, Evidence, 23 October 2003, p43

provided.<sup>189</sup> The Associations produced discussion papers for councils that provided guidance for developing proposals and a self-review of councils' operations.

**5.5** Despite the initial concern, the President of the Shires Association ultimately endorsed the approach by the Department:

I would like to reiterate: Had they put out something like that, local government would still have whinged. At the end of the day, I think in hindsight—which is very clever—it was the best thing that could have happened, because I have the opportunity to set some guidelines for my councils.<sup>190</sup>

**5.6** This view was shared by a number of councils who gave evidence during the inquiry. The common view was that the action taken by the Government prompted councils to think about improving their services:

The government has had a success already. All councils are looking at themselves, with better results. It could be said, “if you are doing that this week, why didn't you do it last week”.<sup>191</sup>

**5.7** However, there was still some reservation and disappointment that the Government did not indicate its overall 'grand plan'.<sup>192</sup> Despite the claim that the Government was looking at all aspects of structural reform, there was a suspicion that its main desire was a rationalisation of council numbers.

**5.8** In their submissions to the inquiry many councils were critical of the short timeframe for the submission of their structural reform proposals by 31 August 2003, many stating that it did not allow sufficient time to conduct adequate consultation. It is now evident that the current reform process has a much longer timeframe as it includes the regional reviews that also include community consultation as part of their process.

**5.9** The overall current reform process is envisaged to be a three-year program with a potential to be extended beyond that,<sup>193</sup> however, the time period for individual areas is much shorter. As will be discussed later, a frequent criticism of the regional reviews conducted to date is that their timeframe is too short and that they provide limited opportunity for consultation.

**5.10** The Committee heard that the structural reform process has caused a great deal of angst and bitterness in a number of communities. Particularly in cases where councils submitted amalgamations or boundary proposals without first advising the affected councils.

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<sup>189</sup> Ms Phyllis Miller, President, Shires Association of NSW, Evidence, 23 October 2003, p6

<sup>190</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p7

<sup>191</sup> Mr John Davis, Mayor, Blayney Shire Council, Evidence, 24 October 2003, p36

<sup>192</sup> Mr Davis, Blayney Shire Council, Evidence, 24 October 2003, p33

<sup>193</sup> Mr Payne, Department of Local Government, Evidence, 14 November 2003, p8

**5.11** In response to the Minister's call, Ryde City Council submitted a proposal for boundary changes which galvanised the residents of Hunter's Hill who believed the proposal would see the destruction of their municipality.<sup>194</sup> On the 24 October the Minister announced that the Ryde proposal would not be referred to the Boundaries Commission. The Minister stated that the proposal did not make clear how ratepayers would benefit. He also stated that councils must explain clearly how ratepayers will benefit and councils must prove they have consulted with affected communities before the Government will progress their proposals.<sup>195</sup>

**5.12** Some proposals put in claims for significant portions of other council areas, which raised suspicions that they were calculated attempts to avoid the mandatory requirements of the *Local Government Act* for amalgamation proposals. One such case was the proposal by Quirindi Shire Council which included a claim for 50% of neighbouring Nundle Shire Council:

To my way of thinking, it was a back-handed way to get amalgamations when there were no forced amalgamations. The way it was done without consultation was not right. It was a rather strange way to work things, to my way of thinking...For any boundary claims put on Nundle, to take 50 per cent of our roads, Nundle would have been in a position where it could be wiped off the map.<sup>196</sup>

**5.13** Both the Department of Local Government and the Associations had an expectation or a 'hope'<sup>197</sup> that councils would consult and publicly air their proposals prior to submitting them to the Department. It has become evident that in many cases this did not occur.

**5.14** The Department of Local Government anticipated there might be 'a bit of aggro...a bit of upset' by not prescribing guidelines. Notwithstanding the level of anxiety and mistrust that was generated, the Department does not consider the process should have been handled differently:

I recognise that there is some anxiety out there. We get some letters and emails. I would have to say that we have not been deluged. But there is anxiety. There is always anxiety with change. Was it an appropriate way to handle it? I suspect it was.<sup>198</sup>

### ***The Committee's view***

**5.15** In some cases the approach taken by the Department has produced positive outcomes. However, in hindsight, we believe it should have stipulated that councils that were including boundary claims in their proposals had to consult with the affected councils and their communities and make public the detail of their proposal.

<sup>194</sup> Save Hunters Hill Municipality Coalition, 'Victory for Hunter's Hill Municipality and for the Nation's Heritage', *Media release*, 24 October 2003

<sup>195</sup> The Hon Tony Kelly MLC, Minister for Local Government, 'Ryde City Council Proposal For Boundary Changes', *Media Release*, 24 October 2003

<sup>196</sup> Mr William Hoad, Mayor, Nundle Shire Council, Evidence, 4 November 2003, p18

<sup>197</sup> Mr Payne, Department of Local Government, Evidence, 14 November 2003, p5

<sup>198</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p43

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**Recommendation 10**

That for any future structural reform proposals the Department of Local Government reject any proposal affecting boundaries of other councils unless the council making the proposal can demonstrate it has consulted widely with those councils and the affected residents prior to making the submission.

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***Regional compared to local outlook***

- 5.16** In their own submissions, and their response to other submissions, many councils took the view that their primary duty was to protect and advance the interests of their own ratepayers.<sup>199</sup> This led some councils who considered themselves to be in a sound financial position to rule out any consideration of amalgamation.<sup>200</sup> Some noted that they would have been duty bound to present other council's amalgamation proposals to their own community if that proposal had identified any benefit to them.<sup>201</sup>
- 5.17** Given the climate of uncertainty, this perspective may have prevented some councils from taking a regional perspective when considering amalgamations. However, it should be noted that many councils did put forward reform proposals for regional efficiencies and strategies which did not rely on amalgamation – and these are discussed in Chapter 6. Also, some proposals, perhaps most notably the joint amalgamation proposal by Tamworth, Nundle, Parry and Manilla councils, did raise the benefits of larger, regional councils in appropriate circumstances.
- 5.18** The President of the Local Government Association of NSW, while reinforcing the general view that regional councils is a case of 'horses for courses', endorsed this proposal because 'it seems to be an amicable thing that is probably going to produce a really good result for the region'.<sup>202</sup>
- 5.19** A primary benefit of the proposal was the ability to make development plans and decisions on a regional basis. Previously they would have been subject to two or more sets of planning controls. Another advantage was that the new entity would become a much more influential body:

**The Hon. HENRY TSANG:** So by having an amalgamation or boundary changes you can then attract investment and therefore job creation in the region.

**Mr LYON:** It makes it a lot easier because you have control of where development can occur and how it can occur within a larger area than what you currently have. You

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<sup>199</sup> Ms Kathryn Knowles, Deputy Mayor, Bathurst City Council, Evidence, 24 October 2003, p20

<sup>200</sup> Mr Davis, Blayney Shire Council, Evidence, 24 October 2003, p33

<sup>201</sup> Mr Frederick Harvison, Mayor, Singleton Council, Evidence, 27 October 2003, p5

<sup>202</sup> Dr Sara Murray, President, Local Government Association of NSW, Evidence, 4 November 2003, p12

do not have to step over the boundaries and go and see somebody else to get their assistance to make it occur. You can make that decision yourself.

**Mr BARTLETT:** The new council becomes a much more influential body. For instance, it will have 54,000 residents, just under 37,000 electors, and an area of 8,800 square kilometres, and we will have a combined budget probably in the first year of about \$110 million. That is big business in a local government sense.<sup>203</sup>

- 5.20** It should be noted that while the Tamworth/Nundle/Parry/Manilla proposal was submitted as a voluntary proposal it did not necessarily have the support of the relevant local communities. The proposal document states that Manilla Council took its decision in the face of considerable community disquiet. During this inquiry submissions and evidence were received from Manilla community individuals and representative groups who forcefully registered their opposition to the proposal.

### **The regional reviews**

- 5.21** The Minister for Local Government indicated in his 3 July 2003 letter to all councils that regional reviews were to form part of the government's structural reform process:

In addition, I believe Regional Reviews to examine the options for groups of councils considering structural reform may help the process.

These reviews would allow discussion of possible structures to take into account local needs before formal proposals are finalised and would examine the provision of local government services on a regional or catchment basis. In some cases, these reviews may consider proposals already developed for consideration.

- 5.22** As of 10 November the regional reviews that had commenced or been announced are:

- ACT region (Queenbeyan, Yarrowlunla, Yass, Gunning, Cooma-Monaro, Goulburn, Crookwell, Tallaganda, and Mulwarree)
- Clarence Valley (Grafton, Copmanhurst, Maclean and Pristine Waters)
- Peel region (Tamworth, Barraba, Uralla, Walcha, Nundle, Murrurundi, Quirindi, Gunnedah, Manilla, Scone and Parry)
- Murray region (Albury, Hume and Corrowa)
- Macquarie region (Bathurst, Evans, Oberon, Lithgow and Rylstone).

- 5.23** Whenever the Minister has announced the various regional reviews, the rationale in each case has been because 'a number of councils have requested a regional review for their areas' and/or where there has been 'a number of overlapping proposals for reform'. In each case it was also announced that the review may consider proposals already developed for consideration.<sup>204</sup>

<sup>203</sup> Evidence, 4 November 2003, p7

<sup>204</sup> See for example, The Hon Tony Kelly MLC, Minister for Local Government, 'Regional Review for Murray and Macquarie Regions', *Media Release*, 10 November 2003

**5.24** The Director General of the Department of Local Government expects most areas throughout New South Wales to have a regional review.<sup>205</sup> In one sense the call for reform proposals by councils by 31 August 2003, with its implicit call for amalgamation and major boundary changes, has simply served as a mechanism for identifying where regional reviews will be conducted.

**5.25** The practice of reviewing and reforming local government on a regional basis is endorsed by those who acknowledge the different needs of local government across the State:

...they indicated that there would be a series of more formal, facilitated discussions with the local communities, the Government and the councils on a regional scale.

I would support that approach because many of the attempted reforms of local government over the last 100 years have been done at a state-wide level, and clearly local government across the State is not uniform and neither are the councils uniform.<sup>206</sup>

**5.26** At the 23 October 2003 public hearing the Director General of the Department of Local Government was asked to describe to the Committee the process that the reviews will follow. He made the following points:

- The location of the regional reviews are a result of the structural reform submissions put to the Minister. Many of those submissions took a regional perspective.
- The reviews will consult the locals on where they believe their region [of interest] is and then look at the councils in that area.
- There is a public notice calling for submissions to the review from interested parties whether located in or outside the region. All submissions will be assessed.
- The process is run by an independent facilitator who will consult with community groups, individuals, councils and a whole range of people.
- The reviews are extensively advertised in the local media.
- The process generally involves 20 working days. Three to four weeks of face-to-face consultation and a couple of weeks to put the proposal together,
- There will be a combination of public and individual meetings. The public meetings will be advertised. There will be no formal transcript of the public meetings.
- Each review will be somewhat different as there are no riding instructions to the facilitators other than to consult.
- The process will ensure that all councils, whether large or small, have an equal voice.
- The process will lead to the development of a proposal that may or may not proceed to the Boundaries Commission or elsewhere.

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<sup>205</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p43

<sup>206</sup> Professor Kevin Sproats, UWS, Evidence, 27 October 2003, p15

- The reports will be made public when presented to the Boundaries Commission.
- The Department is expecting to conduct between four and six reviews a year.
- Some structural reform proposals involving two councils who have volunteered for amalgamation can be referred separately to the Boundaries Commission.<sup>207</sup>

**5.27** The first regional review – the ACT regional review – was completed in October 2003. On 18 November the Minister for Local Government announced he had referred two proposals for boundary changes arising from the review in the ACT region to the Boundaries Commission.

**5.28** In his announcement the Minister stated that the ‘report[s] is the result of extensive consultation with local communities in the ACT region’ and that the facilitator ‘had held 12 public meetings, taken written submissions from the public and met with councils in the area to develop this proposal’.<sup>208</sup>

**5.29** The Department and the Government emphasised the integral part of community consultation in the regional reviews. However, during the public hearings a number of witnesses who were involved in the Peel and ACT region reviews expressed some disappointment in this very aspect of the reviews:

The regional reviews have just been too short in time frame and too limited with other input in the process. We are losing an opportunity to reform local government. It will end up a knee-jerk reaction and if we end up down that path we will suffer for many, many years to come. We need to bite the bullet now and ensure that this process is as full and as extensive as time permits but to allow full input to the entire community. I visited a number of the review meetings, including some in remote locations, and the input is just not what I feel is needed for proper structural reform of local government.<sup>209</sup>

But my other concern particularly, and I am only familiar with the timetable that was put out for the Yarrowlumla area, was the short time frame. There is one little village out there where the consultation period was half an hour on a Friday afternoon during school holidays, the day before a long weekend. I realise that the Government has a timetable that it wishes to try to fit in with the legislative requirements and the upcoming elections, but to my way of thinking community input and democracy have been sacrificed for the timetable.<sup>210</sup>

Our involvement in the review was a one-hour meeting with the reviewer, Professor Maurice Daly. We also had community meetings, which were held in the middle of the day at Captains Flat and Bungendore, which was unfortunate because being a commuter shire most of our residents in those communities would have been working in the ACT at the time and could not attend those meetings.<sup>211</sup>

<sup>207</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, pp37-39

<sup>208</sup> The Hon Tony Kelly MLC, Minister for Local Government, ‘Regional Review delivers proposals’, *Media Release*, 18 November 2003

<sup>209</sup> Mr Phillip Betts, Mayor, Parry Shire Council, Evidence, 4 November 2003, p26

<sup>210</sup> Mr Glynn Jones, General Manager, Lockhart Shire Council, Evidence, 5 November 2003, p22

<sup>211</sup> Mr Terrence Branson, Mayor, Yarrowlumla Shire Council, Evidence, 5 November 2003, p43

- 5.30** The two reports arising from the ACT review are publicly available on the Boundaries Commission website.<sup>212</sup> Both provide scant detail on the level of consultation that was undertaken other than listing the locations where community meetings were held, naming the councils with whom discussions took place and making a general statement that meetings were held with other relevant groups and organisations. Both reports also refer to the fact that ‘written submissions were invited from the communities, and background material from previous submissions (to the Boundaries Commission and to the Minister’s Office) were made available.’

***The Committee’s view***

- 5.31** It is difficult from the information provided in the regional review reports to accurately ascertain the extent of the community consultation during the reviews. The reports, as written, do nothing to dispel the concerns raised by witnesses during the public hearings.

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**Recommendation 11**

That future regional reviews provide greater scope for more inclusive community consultation by lengthening the time allocated to the consultation process and by holding meetings at times that are conducive to greater participation such as outside of business hours and on the weekends.

**Recommendation 12**

That the reports of regional reviews indicate the extent of the consultation process by providing details of the meetings held including the times, numbers of those present and a transcript of evidence given at public meetings, and the number and details of submissions received.

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***Non-boundary element of the reform and regional review process***

- 5.32** The current reform process has initiated much more than just proposals for amalgamations and boundary adjustments. The Department and the Minister have received from both council submissions and the regional reviews a wealth of information on useful reform proposals and initiatives for local government:

**CHAIR:** Mr Payne, you said that the regional review is a mechanism that is being used to determine what needs to be reformed in local government. I take it that the outcomes of the regional review can be more than just recommendations for amalgamations or boundary changes. Is that correct?

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<sup>212</sup> Accessed via Department of Local Government homepage: <http://www.dlg.nsw.gov.au>

**Mr PAYNE:** Oh yes. It is about structural change generally. There are a number of ideas coming out about how councils should operate—forgetting boundaries—in terms of their governance, their administration and the relationship between the elected body and the staff and so forth. We are looking at all that. It is about structural change and boundaries are just one part of that.

**CHAIR:** So you did say that the findings of the regional review may or may not go to the Boundaries Commission. Obviously there are issues that you have just mentioned, but how will the findings of the regional review that are not related to boundary changes be advanced?

**Mr PAYNE:** Without knowing what is going to come out of them—as I said we have not seen the first one yet, but it is getting close—it will only go to the Boundaries Commission if it involves boundary changes, obviously, because that is what the Boundaries Commission does. In some other instances, if there are other recommendations for change that can be catered for within the Local Government Act or regulations, then that can be endorsed. In some cases you may be looking at legislative change. There is a whole range of things.

**CHAIR:** So it would go from your Department to the Minister? Is that what you are saying? Your Department will make recommendations to the Minister?

**Mr PAYNE:** No. The facilitator will provide the report to the Minister. It is up to the Minister then to either refer it, if it involves boundary changes, to the Boundaries Commission, or not. I would expect the other part of it—the non-boundary stuff—would go to the Department for comment.<sup>213</sup>

### ***The Committee's view***

- 5.33** We believe it would be a lost opportunity if the Minister and the Department did not make good use of the information they have received. Greater efficiency from local government does not always come from amalgamations. The Department needs to give greater emphasis than it is currently giving to the other structural reform proposals. The Committee has heard from several people who consider that any discussion about amalgamations should be preceded by a complete review of the methodology for determining local government boundaries. This issue is discussed further in Chapter 6.

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### **Recommendation 13**

That the Department of Local Government report on the recommendations for structural reform, other than those involving boundary changes, that it has received during the current reform process. The report should detail the action it has or will take in response to the recommendations.

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<sup>213</sup> Evidence, 23 October 2003, p45

## Community involvement in the decision to amalgamate

### Local Government Act 1993 – amalgamation process

- 5.34** The *Local Government Act 1993*, as it currently stands, sets out the processes that must be followed before councils can be amalgamated. While some participants in the inquiry raised concerns regarding what they perceived to be ‘loop-holes’ in the legislation, there was a general consensus that the intent of the current requirements are a necessity.
- 5.35** When an amalgamation proposal is being considered it must be examined and reported on by either the Boundaries Commission or the Director-General.<sup>214</sup> Section 218F(3) of the Act requires that in that examination, the views of the electors of each of the council areas must be sought by means of either:
- advertised public meetings, and invitations for public submissions, and postal surveys or opinion polls, in which reply-paid questionnaires are distributed to all electors, *or*
  - by means of formal polls.
- 5.36** Electors must be provided with a period of forty days in which to comment and reasonable public notice must be given of the inquiry.
- 5.37** In the case of boundary adjustments that are not amalgamations, the Minister has a discretion to refer the proposal to the Boundaries Commission and to direct that an inquiry into the proposal take place.<sup>215</sup>
- 5.38** A number of councils expressed their concern that when a major reorganisation of a council’s boundaries is proposed there is no requirement to refer the matter to the Boundaries Commission and have it conduct an inquiry. This is of particular concern when significant boundary adjustments, if subsequently approved, would leave the affected council with an area that would be unsustainable.<sup>216</sup> The Mayor of Nundle Shire Council also saw this approach as a ‘back-handed way’ to achieve an amalgamation.<sup>217</sup>
- 5.39** Prior to the announcement of the regional review process a number of such proposals, regarding councils in the ACT region, were submitted to the Minister. In this instance, the Minister chose to refer the proposals to the Boundaries Commission for inquiry.<sup>218</sup> However, there was a continuing fear that as the current reform process continued apace that the conduct of inquiries by the Boundaries Commission would be avoided wherever possible by the Department.

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<sup>214</sup> *Local Government Act 1993*, s. 218F(1). Also under s. 218F(6) any report on a proposed amalgamation by the Director-General is referred to the Boundaries Commission for review and comment and then sent to the Minister.

<sup>215</sup> *Local Government Act 1993*, s. 263(2)

<sup>216</sup> Mr Ellis Lindner, Mayor, Culcairn Shire Council, Evidence, 5 November 2003, p47

<sup>217</sup> Mr Hoad, Nundle Shire Council, Evidence, 4 November 2003, p18

<sup>218</sup> Mr Graeme Taylor, General Manager, Evans Shire Council, Evidence, 24 October 2003, p23

**5.40** During the public hearing on 5 November, witnesses expressed this concern regarding the Peel regional review. They referred to a rumour that the recommendations from this review would be couched in terms of boundary adjustments rather than amalgamations, and that the matter would not be referred to the Boundaries Commission.<sup>219</sup> The implication that the regional review process would be used instead of the process allowed under the Act has also been raised in political forums.<sup>220</sup>

**5.41** On 6 November 2003 the Hon Tony Kelly MLC, Minister for Local Government issued a press release stating that the State Government would make sure that the Boundaries Commission consulted widely with the community before making any recommendations on local government reform. The Minister also stated:

When this process [regional reviews] is complete, proposals will be forwarded to the Boundaries Commission and all public consultation required as part of that process will begin.

...The extra consultation the NSW Government has undertaken is *on top* of the public consultation required by the Boundaries Commission and the Local Government Act.<sup>221</sup>

**5.42** The Minister's statement could be interpreted as a commitment to having the Boundaries Commission hold an inquiry into all boundary adjustment and amalgamation proposals arising from the current reform process. However, as stated previously, in certain cases the Boundaries Commission is *not* required to hold an inquiry – rather it is at the discretion of the Minister.

**5.43** During the public hearing on 5 November 2003, a representative from the Hands off Hume Committee, Mr Darren Baldwin, suggested a definition of a 'significant boundary change' that would most likely be amenable to most sections of the community:

I suggest the inquiry might wish to consider an idea that, for the purposes of consultation, any boundary adjustment that becomes more than 10 per cent of area, population or a rate base should be deemed an amalgamation. That would overcome a lot of people's concerns that their voices are not being heard.<sup>222</sup>

### **New Bills proposing alternative processes**

**5.44** The *Local Government Amendment (No Forced Amalgamations) Bill 2003* was introduced into the Legislative Council by the Hon Duncan Gay MLC, on the 17 September 2003, and subsequently passed by the Legislative Council on the 16 October 2003<sup>223</sup>. It defined a substantial alteration to a boundary of an area as 'an alteration the net effect of which is to

<sup>219</sup> Evidence, 4 November 2003, pp4-5

<sup>220</sup> See, Andrew Fraser MP, Shadow Minister for Local Government, 'Local Government Regional Reviews an insult to ratepayers', *Media Release*, 30 September 2003

<sup>221</sup> The Hon Tony Kelly, MLC, Minister for Local Government, 'NSW Government committed to community consultation on council reform', *Media Release*, 6 November 2003

<sup>222</sup> Mr Darren Baldwin, Evidence, 5 November 2003, p59

<sup>223</sup> The Bill was subsequently defeated in the Legislative Assembly on 30 October 2003.

increase or decrease the physical size of the area concerned by 10% or more; or, that is part of a redistribution of boundaries throughout the State'. The Bill also included the requirement that the Boundaries Commission hold a public hearing and conduct a postal ballot of residents and ratepayers with respect to any proposal for an amalgamation or a substantial boundary alteration.

**5.45** On 20 November 2003, the Hon Tony Kelly MLC introduced into the Legislative Council the *Local Government Amendment Bill 2003*. The Bill contained a range of amendments to the *Local Government Act 1993*. With respect to the current arrangements for consideration of amalgamation proposals by the Boundaries Commission, or the Director General, some of the relevant amendments are:

- in the examination of any proposal the only requirement for public consultation is via written submissions.<sup>224</sup>
- the Boundaries Commission may choose to conduct a survey or poll to assist it in determining the attitude of residents and ratepayers, but not in the case of a proposal that is an amalgamation or boundaries proposal that is supported by the councils affected by the proposal.<sup>225</sup>

**5.46** The Bill was not brought to a second reading speech in the Legislative Council prior to the close of the 2003 Parliamentary session.

### ***The Committee's view***

**5.47** There was a strong desire among participants in this inquiry for the Boundaries Commission to conduct an inquiry into all amalgamations or significant boundary adjustments arising from the current reform program. The rationale for this was that the community deserved to have its views heard at the final stage prior to any recommendations being made. This is especially important given the volume of discontent regarding the opportunities that have been provided to date.

**5.48** In his address to the Shires Association of NSW Annual Conference on 4 June 2003, the Premier, the Hon RJ Carr MP, stated that there was an historic opportunity for reform:

This is your moment, your opportunity. Seize it, because the shape of local government for the next fifty years is in the hands of you at this conference today.<sup>226</sup>

**5.49** If the direction for local government is to be set for the next fifty years we believe the community needs to be provided with a meaningful opportunity to have their voice heard and to provide input into the process. There may be a cost involved. Whatever form this consultation may take it should be viewed as a reasonable expense considering what is at stake. The expense can later be accommodated by the oft-projected savings that will accrue from structural reform. The government should not seek to by-pass the Boundaries Commission if the effect will reduce public consultation and input into proposals.

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<sup>224</sup> *Local Government Amendment Bill 2003*, schedule 1[9], s. 218EC(2)

<sup>225</sup> *Local Government Amendment Bill 2003*, schedule 1[14], s. 265(4)

<sup>226</sup> The Hon RJ Carr, MP, Premier, address to Shires Association of NSW, 4 June 2003

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## Recommendation 14

That all amalgamation proposals and any boundary alteration proposals that involve a ten per cent or greater variation in either population, area or rate-base arising from the current structural reform program are referred to the Boundaries Commission for public inquiry.

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- 5.50** The above section focussed on the overwhelming desire that the Boundaries Commission conduct public inquiries into any amalgamation or significant boundary adjustment proposal. The implication was that the Boundaries Commission would conduct its inquiries in the same manner as it has done in the past. During the inquiry evidence was given of the perceived shortcomings of traditional community consultation methods. The following section examines other options for consultation.

### What method should be used to determine the community's views?

- 5.51** In the absence of a clearly defined process for boundary reform, there has been a great deal of community fear regarding the 'threat' of amalgamations. Many are suspicious that the views and needs of local communities will be discarded in favour of an agenda of reducing the number of local councils.
- 5.52** In this climate it is understandable that many individuals and communities have adopted a strong anti-amalgamation sentiment and a desire to protect their current council identity at all costs. This may be due to them not being actively engaged in a meaningful way, and not being exposed to complete information. The fault lies on both sides. A number of witnesses agreed there was an absolute need to engage the community in an informed consideration of the issue:

Community consultation, while incredibly important, also must be about informed opinions; that is, the real information about what is happening in local government.

To take leadership on these hard issues is difficult, and to explain complex issues is also very difficult but it should not mean that we walk away from it.<sup>227</sup>

If we are just going to make bigger versions of what we have got and end up with that sense of loss, then that is understandable. But we need to talk to people and say what we are trying to do.<sup>228</sup>

There is often a lot of emotion about amalgamation and this can mask many of its real benefits. It is easy to fill community halls with people who are quite rightly upset about the alleged prospect of a loss of community or perhaps even increased rates. We need to make sure that people are fairly and fully informed about amalgamations.

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<sup>227</sup> Ms Knowles, Bathurst City Council, Evidence, 24 October 2003, p19

<sup>228</sup> Professor Sproats, University of Western Sydney, Evidence, 27 October 2003, p22

When properly carried out they should strengthen communities, improve their infrastructure and services and increase participation in the democratic processes.<sup>229</sup>

If people could be guaranteed that they will get representation after the big bogeyman comes and takes them over, I think a lot of other councils—the people in them and the councillors themselves—would be a lot happier than they are now.<sup>230</sup>

We are just saying put all the facts on the table. You can scaremonger, if you like, but that is not the genuine way forward.<sup>231</sup>

- 5.53** A number of amalgamation proposals submitted to the Minister, and also subsequently provided to this inquiry, proposed an extensive community consultation period *after* the proposal had been endorsed:

...the sorts of things that we would be doing would include getting out into the community and meeting one-on-one with people, if necessary, and talking through the issues and having quite a lengthy period of consultation with people who are concerned.<sup>232</sup>

After the proclamation of the extended boundaries, it would be a priority of the new Council to begin a process of consultation and information sharing with all ratepayers and residents.<sup>233</sup>

- 5.54** We believe this extensive consultation should occur prior to implementation, rather than after a boundary change or amalgamation has been made. There should be a method to gather the support, if warranted, of the community prior to any decision rather than seeking to placate them after the fact. It would appear that many councils believe that there is no current mechanism by which the community can be involved in a dispassionate and informed consultation process.

### ***The practicality of referenda or polls***

- 5.55** A number of submissions to the inquiry recommended that amalgamation proposals should be guided or ultimately decided on the basis of a referendum or poll of the affected residents. They suggested that a discrete poll should be held in each current council area and the support of a majority of respondents required in an area for it to be included in the amalgamation.

- 5.56** It is generally held that referendums reflect the conservative view and are resistant to change. This view was put to Professor Sproats of the University of Western Sydney:

I am not the first one to have said that; it has been said many times before. I have been involved in the reform of local government for a long time now. It has been said many times before that inevitably it will come down to a conservative approach to reform. That point was made by the Barnet report 40 years ago, and it has been made by a whole succession since. It must be remembered that my report was the thirteenth

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<sup>229</sup> Dr Murray, Local Government Association of NSW, Evidence, 4 November 2003, p10

<sup>230</sup> Mr Robert Schofield, Deputy Mayor, Nundle Shire Council, Evidence, 4 November 2003, p20

<sup>231</sup> Dr Murray, Local Government Association of NSW, Evidence, 4 November 2003, p11

<sup>232</sup> Mr Michael Ryan, Orange City Council, Evidence, 24 October 2003, p5

<sup>233</sup> Submission 11, Bathurst City Council, p36

report into local government reform in metropolitan Sydney in the last 100 years. I was not the first one to have said that, and I am still firmly of the opinion that major reform will not happen until such time as it is led by the State Government.<sup>234</sup>

- 5.57** A frequent problem with referenda is that the arguments for and against a proposal are presented by opposing camps and in a manner designed to sway rather than to inform. There are a number of alternative methods by which proposals may be considered in an even-handed and dispassionate manner. One such method is a deliberative poll:

When I went into local government I thought that referenda were a good idea. I moved away from that position because they can be and are so politicised. It is difficult within that process to inform people of the pros and cons. When people are fighting to prevent it from happening, people are always likely to say no. What I like is the idea of a deliberative poll—either a deliberative poll or something like the citizens convention on the republic.

You draw together a cross-section or representative sample of all the voters in the area. You could make it as large as you wanted to—you could have 200 people. It would take in all the demographics of the people in that area. You could have the evidence presented to them by a number of experts and you could have people putting arguments for and against. At the end of that process, if you asked them what they wanted to do and they were prepared to live with that, I think that would be a reasonable way to go. What happens in that process is that people change their minds. If people are informed they are much more likely to make an informed decision. To me, that is a much better outcome than simply saying yes or no.<sup>235</sup>

### ***The Committee's view***

- 5.58** While the majority of the committee strongly believes that community acceptance of any proposal is essential to the process it does not believe that a traditional poll by itself is the best method by which to gauge community support or to promote community involvement. We favour the use of a more comprehensive consultation and engagement method to consider each proposal that arises from the current regional reviews.

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## **Recommendation 15**

That each major recommendation from regional reviews be considered by a consultation process, which could include a polling technique, that involves a representative and spatial sample from the residents of the areas concerned.

That following the consultation process, a postal ballot of all residents should be conducted and the support of a majority of a council's residents be required for that council to continue as part of that proposal.

That the State Government fund the cost of this process.

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<sup>234</sup> Professor Sproats, University of Western Sydney, Evidence, 27 October 2003, p14

<sup>235</sup> Ms Roslyn Irwin, School of Social Sciences, Southern Cross University, Evidence, 27 October 2003, p53

**Should the community be consulted on the concept or the detailed model?**

- 5.59** Many people are wary of change when they do not know what the effect of that change will be. As well as the high-level arguments for and against any proposed amalgamation, the community should be provided with as much detail on how a proposed new amalgamated council will be governed and where resources will be located. The deliberative poll technique allows this to occur. A proposal should also include the charter of the proposed new council and the details of what would be included in the proclamation of the new entity.
- 5.60** The two proposals arising from the ACT regional review both call for interim governance arrangements to occur between the proclamation and the elections for the new council. They call for a steering committee to be established comprising the Mayors and General Managers of the affected councils and a representative of the Department. These committees would determine a number of matters that would be of significant interest to ratepayers, such as the name of the new council and the areas to be covered by precinct committees.

***The Committee's view***

- 5.61** There is always a natural reluctance to invest time in developing a working structure for a new entity that is still subject to a decision on whether it will be created. However, we can see no reason why many of the details of a proposed new council should not be determined by a steering committee and that information be presented to the relevant communities during the recommended consultation process prior to the regional reviews reporting on an amalgamation proposal.

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**Recommendation 16**

That for each new council being proposed by the regional reviews a steering committee be established and be comprised of a representative of the Department of Local Government, and two councillors, the General Manager and a minimum of two residents from each of the councils involved in the proposal.

That the steering committee develop the charter and proclamation for the new council and specify the new council's governance structure and where its resources will be located.

That the information produced by the steering committee then be used in the community consultation process.

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**Will amalgamations improve the bottom line?**

- 5.62** Chapter 3 examined the consensus among inquiry participants that a fundamental reform of local government revenue base was required to ensure all councils, and not just those who currently present as candidates for amalgamation, remain viable in the long term. Even in those cases where amalgamations would clearly deliver some economies of scale this would

stand for little if it is not accompanied by wider financial reform. The President of the Shires Association of NSW emphasised this point during the first public hearing:

**The Hon. KAYEE GRIFFIN:** Earlier you commented on amalgamating two councils that may be experiencing financial difficulty. If amalgamating two "broke" councils, as you put it, will not resolve the problem, what do you see as a way of resolving those financial issues with regard to councils that are already suffering from that problem at the present time?

**Ms MILLER:** I think it is a twofold issue. I believe we need to look at the way we do business where we have a duplication of services throughout small areas. I believe that unless the Government makes the changes required for the financial base of any council in New South Wales and addresses that pegged income, it will not matter what we do with lines on maps and putting councils together this time. We may save a little in administration costs, but the same road length, the same number of services, the same requirement for doctors, and the same amount of this and that will still be there.

Unless we look at the financial base of councils, where they can set their own income for the services they are giving, I do not believe we are ever going to fix the problem. I think we have been screwed financially for so long. Some of that is the reason why councils are in their present position; some is maybe poor management. At the same time, if we are going to start joining councils together and making local government a better business and a better place, we need to look at what the State Government can do to help as well.<sup>236</sup>

### Economies of scale

- 5.63** The primary argument in support of amalgamations is the perceived financial benefit of a stronger revenue base and a reduction in the duplication of costs. No persuasive evidence was given regarding the circumstances in which amalgamations would deliver financial benefits.
- 5.64** During the public hearings the Committee heard that several studies have suggested that there are efficiencies to be gained as councils move towards a resident population of around 100,000. They argue gains diminish as populations exceed 100,000. However, there are a number of councils that appear to function efficiently above that population level.<sup>237</sup>
- 5.65** The academic study most frequently cited both in submissions and evidence was the 2002 report *Do economies of scale exist in Australian Local Government?*<sup>238</sup> This report found there was no solid empirical base to the belief that larger municipalities would exhibit greater economic efficiencies.
- 5.66** A number of smaller councils who made submissions or gave evidence to the inquiry argued that, notwithstanding their size, they are comparatively financially sound. The Mayor of Weddin Shire was asked for his comment on the argument that a council with an income of less than \$10 million is not a viable unit to operate a corporation:

<sup>236</sup> Evidence, 23 October 2003, p7

<sup>237</sup> Professor Graham Sansom, Director, UTS Centre for Local Government, Evidence, 23 October 2003, p20

<sup>238</sup> Byrnes, J. & Dollery, B. *Do economies of scale exist in Australian Local Government? A review of empirical evidence*, University of New England, School of Economics, working paper 2002-2 (2002)

The argument that we are not viable does not stand up because we have money in the bank and we do not have any debts. We have the highest cash ratios to any shire at which you can throw a stick. A council does not have to be big to be run well. The other day at Juneee, Tony Kelly, the Minister for Local Government, said that with over 35,000 people the efficiency of amalgamation falls off sharply.<sup>239</sup>

**5.67** Similarly, the Mayor of Wellington Council noted that his was one of the few councils that made quite a substantial profit for the year.<sup>240</sup> Wellington, while above the 5,000 population/\$10M income guideline, is not a large council.

**5.68** Others argued that, particularly in today's technological age, councils that become too large can run the risk of losing the economic benefits of having a robust and flexible system:

The economies of scale argument used to also apply to just general staffing, the running of accounts, purchasing and such things. But if you have used electronic technology well those economies of scale go away. The process actually reverses because a council of our size can run on best-of-breed software, server systems. It is not very vulnerable. It is a very robust system. If something breaks down you can pull it out. It does not cost you much to throw away. Every three or four years when the software changes you put new software in.

Larger councils have to run mainframes because of the physical size. You end up with a 10 or 20-year commitment. You become locked in. If you look back into councils even in the recent past that have had to go that way because of their size you see that some have been fortunate and others have not. They have had major costs as a result of the clumsiness of the systems.

In this modern age the economies of scale argument, with the flexibility of contracting and electronic delivery, works against you by making you large and clumsy. To a degree, being smaller and more flexible is of greater assistance.<sup>241</sup>

**5.69** During the inquiry several witnesses asked: 'Why combine two broke councils to arrive at one broke council?' or, 'Why combine a broke council with a good financial council and then have one half-broke council?'<sup>242</sup> Clearly, an amalgamation must not merely be a sum of the two 'broke' parts – it must be able to clearly demonstrate the financial benefits that will accrue.

**5.70** Throughout the inquiry there was clear agreement among participants that with respect to the structure of councils 'no one size fits all'. In the same way the question of whether an amalgamation of two or more councils will create economies of scale and a financially stronger council can only be answered following a close examination of the specific details of the proposal.

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<sup>239</sup> Mr Maurice Simpson, Mayor, Weddin Shire Council, Evidence 24 October 2003, p11

<sup>240</sup> Mr Lewis Knowles, Mayor, Wellington Council, Evidence, 24 October 2003, p27

<sup>241</sup> Mr Angus Gordon, General Manager, Pittwater Council, Evidence, 23 October 2003, pp50-51

<sup>242</sup> Mr Davis, Blayney Shire Council, Evidence, 24 October 2003, p33

### **What does history show us?**

- 5.71** Amalgamation of councils is not a new concept, particularly in New South Wales. Throughout the inquiry witnesses were examined on their knowledge or direct experience of amalgamations within Australia and overseas. Once again it is impossible to draw definite conclusions, as no two amalgamations are identical and one must also take into account the other factors that accompanied any specific process.

#### ***Victorian amalgamations***

- 5.72** One of the most frequently cited examples was the large-scale amalgamation process undertaken in Victoria less than ten years ago. This process was characterised as being undertaken in a very forceful fashion, with little consultation and saw some 220-odd councils reduced to about 70.<sup>243</sup> It was pointed out that Victoria had had no amalgamations prior to this process and that the pressure for change had built up over this time. As can be expected, such a blanket approach did not result in uniform results across the metropolitan and rural areas:

The other interesting part of the experience which came out in some of the evidence given to the Federal cost-shifting inquiry was that some of the amalgamated councils in rural Victoria are still facing very severe financial problems. So amalgamations on its own was not a magic wand to solve the underlying financial difficulties of some of those councils.<sup>244</sup>

- 5.73** The amalgamations in Victoria were accompanied by a government-directed reduction in rates which affects any examination of the exercise in terms of delivering financially stronger entities:

**The Hon. HENRY TSANG:** In Victoria there was amalgamation. From that experience did they see any sign of better results of financial management and service delivery? How did that amalgamation affect the rates?

**Dr MURRAY:** I cannot answer the second part of the question. The early studies on Victoria are mixed. Some say it has been marvellous and some say there have been diseconomies of scale and that there is a move to make the local government areas smaller. I think they said 100,000 people and they sliced up the State like that. I do not think that is the way to go about a reform process. I think the jury is still out on whether it has been good, bad or indifferent, quite frankly, because as I said the studies are mixed. I do not know what has happened to rates.

**Mr REYNOLDS:** I think initially when Victoria was amalgamated the Kennett Government just said, "Your rates are going down. Put them down." But since then they have come right back up again. I think that was a bit of a folly that was supposed to be a sop to the people, who thought their rates would be reduced because of this great amalgamation. But then they found that they did not have enough money.<sup>245</sup>

<sup>243</sup> Mr Gregory Maclean, Assistant National Secretary, Australian Services Union, Evidence, 23 October 2003, p22

<sup>244</sup> Professor Sansom, UTS Centre for Local Government, Evidence, 23 October 2003, p14

<sup>245</sup> Evidence, 4 November 2003, p16

- 5.74** While the success of the process varies according to the criteria by which it is being judged, there was considerable discontent among many rural residents who saw the amalgamations as an attack on their right to representation:

It depends on which literature you read. I would say the evidence is that rates are lower in Victoria, but the range of services that local government now delivers is narrower...It depends on what you think is more important. To some people, having an efficient local government which delivers services at a very reduced cost or the most efficient cost is the most important issue. For many people, particularly outside Sydney, that is not the case. For most of those people, their local councils are important to them in the sense that they are building their communities and sustaining a sense of community. Those people are very protective of their right to have a say.<sup>246</sup>

- 5.75** During evidence Ms Shirley Fry, now a resident of Culcairn Shire, gave an insight into living through a forced amalgamation of a rural shire, which was subsequently reversed, and how this has heightened her concern over the current process in New South Wales:

...In my experience of local government in Victoria, where Mansfield Shire was forcibly amalgamated with Benalla to form Delatite Shire, makes me passionate about not allowing the same thing to happen to the shire. The whole fiasco was an horrendously expensive, futile exercise that struggled on with much opposition and inter-town friction for seven years before the Government admitted it did not work and the shires were allowed to de-amalgamate. Please, let us not go down that road, because it simply will not work for us.<sup>247</sup>

### ***New South Wales***

- 5.76** As stated previously there have been a number of amalgamations in New South Wales, having gone from 324 councils in 1910 to 172 in 2003. In rural areas particularly, residents will always be wary of amalgamations and view them as a dilution of their right to have a say and a reduction in their level of service. In evidence, Ms Roslyn Irwin, a councillor on Lismore Council related how even 30 years after an amalgamation people still come to her and say they were much better off under their previous [Gundarimba] shire.<sup>248</sup>
- 5.77** In contrast to this the President of the Local Government Association of NSW cited the example of her own Shire (Wingecarribee) which was created by the merging of three councils 21 years ago. Dr Murray advised that initially many people were upset and bemoaned that 'things were better in my day'. She said that now the small outlying villages are expecting and receiving the same services as the larger towns, and that these small villages have a very strong voice in the council community.<sup>249</sup>

### ***The financial cost of amalgamating: Armidale Dumaresq case study***

- 5.78** Armidale City and Dumaresq Shire Councils amalgamated to form Armidale Dumaresq Council on 21 February 2000. This is the most recent case of an amalgamation between a city

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<sup>246</sup> Ms Irwin, Southern Cross University, Evidence, 27 October 2003, p58

<sup>247</sup> Ms Shirley Fry, Culcairn Shire Citizens Committee, Evidence, 5 November 2003, p57

<sup>248</sup> Ms Irwin, Southern Cross University, Evidence, 27 October, p56

<sup>249</sup> Dr Murray, Local Government Association of NSW, Evidence, 4 November 2003, p13

and a rural/regional council. The Mayor and General Manager gave evidence at the 4 November public hearing. They provided valuable insights into that experience, particularly as mooted amalgamations of regional city and rural councils are those that have attracted the strongest response from residents. The Mayor Mr Chetwynd was not a councillor at the time of the amalgamation. He provided a community member viewpoint of the consultation process. He said that the community was not provided with a specific guideline or model of how the new council would operate. The result of this was that it made many of the residents of the former shire very suspicious as to what services they would receive under the new system.<sup>250</sup>

- 5.79** The expectation of the council officers of significant cost savings, which could then be allocated to priority areas, was not realised. This was because the city council (Armidale) and the rural based council (Dumaresq) were providing quite different services to each other, so there was no large gain in economies of scale. Also, both councils were providing very basic service levels at the time.<sup>251</sup>
- 5.80** The three-year guarantee of employment for employees of the two councils was reported as an impediment to the new council moving to its ideal operating structure.<sup>252</sup> Retaining workforces in their current locations seeks to prevent adverse effects on the social and economic fabric of small towns. This practice, for good or ill, does have an impact on the ability to realise the efficiencies expected from the amalgamation process.
- 5.81** The General Manager, Mr Shane Burns, also advised that the new council had yet to address the substantial differences between the rural residential rating structures for those areas that were previously in the old Dumaresq council and the areas that were in the old city council. He cautioned that this will be an issue that will confront any new council entities that have a city area and a rural area as part of any new boundary.<sup>253</sup>
- 5.82** Finally, while amalgamation may be pursued in order to achieve financial savings, amalgamation in itself carries a cost that must taken into account:

Funding is another issue, and it would be fair to say, although I cannot quote you specific facts and figures, that a lot of hidden issues need to be resourced in an amalgamation process. An extraordinary amount of time needs to be spent not only by the elected body but also by senior officers on the process by which the amalgamation must take place. That does not simply limit itself to how we deal with depots, head office, administration, finance or financial systems, or the resources of some of the lower-level issues anywhere from the vast number of community services, such as libraries or swimming pools. A whole raft of service delivery issues need to be considered and resources need to be allocated when there is a process of amalgamation.<sup>254</sup>

- 5.83** Notwithstanding the issues mentioned previously the Mayor was of the opinion that the amalgamation had been a success. However, it is interesting to note that others apparently do

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<sup>250</sup> Mr Brian Chetwynd, Mayor, Armidale Dumaresq Council, Evidence, 4 November 2003, p32

<sup>251</sup> Mr Shane Burns, General Manager, Armidale Dumaresq Council, Evidence, 4 November 2003, p34

<sup>252</sup> Mr Burns, Armidale Dumaresq Council, Evidence, 4 November 2003, p36

<sup>253</sup> Mr Burns, Armidale Dumaresq Council, Evidence, 4 November 2003, p33

<sup>254</sup> Mr Chetwynd, Armidale Dumaresq Council, Evidence 4 November 2003, p31

not agree this is the case: in an earlier hearing one witness advised the Committee that the Armidale Dumaresq amalgamation was held to be an 'absolute failure to this day'.<sup>255</sup>

**5.84** In response to the call for structural reform proposals the councils of Tamworth, Nundle, Parry and Manilla submitted a voluntary proposal for amalgamation. In that proposal was the requirement for government funding of \$1.3 million to fund the costs associated with the amalgamation process. When questioned, the General Manager of Armidale Dumaresq Council advised that this appeared to be a realistic figure, based on his experience.<sup>256</sup>

**5.85** The first regional review, conducted by Professor Maurice Daly, resulted in two amalgamation proposals for a capital city regional council and a southern tablelands council respectively. Both proposals acknowledge that there 'will be costs associated with the creation of the new council[s]'. In both cases the proposal states 'these are not expected to be significant compared with the savings expected from the reduction in overheads'.<sup>257</sup>

### ***The Committee's view***

**5.86** As with almost all the issues relating to local government there is no conclusion regarding larger councils providing economies of scale that may be applied universally. Big councils are not necessarily more efficient. We acknowledge that amalgamations do have the potential to provide efficiencies and economies of scale, particularly if a small council is struggling to provide basic services. However, the extent of any efficiencies will depend on the local circumstances. What is evident is that any amalgamation proposal should undertake a thorough analysis and substantiate the savings that may occur and the costs that will be associated with the change. We do not believe there is a demonstrated case that amalgamations are always cost-effective.

## **What factors should be considered in proposing an amalgamation?**

**5.87** There is a range of factors that need to be considered when contemplating or planning for a new amalgamated council. The Committee believes the overriding consideration to be that local residents do not suffer any reduction in level of service, amenity or adequacy of representation. Any proposal for an amalgamation should address this issue in detail and clearly demonstrate how this will be achieved. This section considers other factors that could influence the decision to amalgamate or the scope of the amalgamation.

### **Is there a threshold limit to the size of a council?**

**5.88** During the inquiry there was a desire to ascertain if there was an agreed geographic or resident population size threshold that a council should not exceed. The primary concern was that once a council reached too large a size, councillors would be unable to adequately represent the interests of their constituents.

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<sup>255</sup> Mr John Byrne, Mayor, Evans Shire Council, Evidence 24 October 2003, p26

<sup>256</sup> Mr Burns, Armidale Dumaresq Council, Evidence, 4 November 2003, p35

<sup>257</sup> M. Daly, *Proposal for the creation of a new Capital City Regional Council*, p16 and *Proposal for the creation of a new Southern Tablelands Council*, p18

- 5.89** The ratio of councillors to population was of particular concern to citizens from rural communities. Rural communities have traditionally had a much closer interaction with their council representatives than is the case for metropolitan communities.
- 5.90** It was put to the Committee that some recent studies have generally concluded that once a council starts to reach a quarter of million-plus it starts to lose the 'local' in local government and it becomes regional government in many respects.<sup>258</sup> The view was also put, again from a city council, that once a council gets much above 100,000 people it starts to lose some connection with its community. This council also argued that from a risk management perspective the appropriate scale within the city area is between 50,000 and 100,000.<sup>259</sup>
- 5.91** One difference between rural and metropolitan councils is evident in that the population density of metropolitan councils allows them to encompass large populations in smaller geographic areas. The disproportionate increase in geographic size that would accompany a significant increase in population through an amalgamation in rural areas and its resulting effects on the representative load of councillors was revealed in Victoria:
- Many people in Victoria think they have probably gone too far in reducing the number of councillors. Having local governments of 100,000 or 150,000 people with only seven councillors to me is imposing an almost impossible representation load on part-time people. I have had that view reflected to me. The process has not gone down well in some of the rural areas for the same reason we were discussing a minute ago, that the sense of community representation of rural communities was lost in some of the areas where new councils were imposed over very large geographical areas with a multiplicity of individual communities in those areas. That has been a source of tension.<sup>260</sup>
- 5.92** The need to consider the geographic size of a council in terms of the time required to travel to its outlying areas was raised in evidence and is discussed at paragraph 4.37. The Committee considers that any proposed amalgamation model must take into account the capacity for councillors to inspect and interact with their area of responsibility to an adequate degree, particularly if they are to remain employed on a part-time or voluntary basis.

### **Preserving the social and economic fabric of rural communities**

- 5.93** There is a real fear in many communities that the current reform process will have a devastating effect on their way of life. Local citizens, community groups, councils, unions and representative bodies repeatedly and passionately raised this concern in submissions and during evidence.
- 5.94** The primary cause for this concern is that very often in small rural communities the local council is the largest employer. If that employment is not maintained after an amalgamation the potential effects are manifold.

<sup>258</sup> Mr Phillip Waghorn, Newcastle City Council, Evidence, 27 October 2003, p47

<sup>259</sup> Mr Gordon, Pittwater Council, Evidence 23 October 2003, p51

<sup>260</sup> Professor Sansom, UTS Centre for Local Government, Evidence, 23 October 2003, p14

- 5.95** Firstly, in many rural towns council employees comprise a significant proportion of the workforce. The workers in turn provide opportunities and support for other employment and for businesses through the money they spend in the community. In addition councils have traditionally employed young people from the area.
- 5.96** The population drift away from country towns has long been acknowledged as an issue of concern. This loss in population has in many cases resulted in a withdrawal of services, such as banks, post offices, schools etc, from those areas. Council employment is one means of maintaining populations through employment opportunities. Many people fear that if council employment is lost this will result in those employees and their families having to relocate, and that the town will ultimately suffer a further loss in services.
- 5.97** Apart from depot, works and administrative staff we heard that the senior professional council employees, such as directors and general managers, are an integral part of the social and intellectual fabric of communities.<sup>261</sup> Rural towns benefit from having a range of employment opportunities.
- 5.98** It has also been noted that in rural towns the council depots do not just have trucks and bulldozers to look after the roads; they are also there for bushfire control, flood mitigation, and a whole range of services; and that if the roads go out, there is a problem getting equipment through.<sup>262</sup>
- 5.99** The amalgamation of a council does not necessarily have to result in a loss of local employment, it depends on how the new council is structured and operates. Proponents for amalgamation see it as an opportunity to increase employment opportunities:

We see it the other way. The only people who will lose their jobs out of this are the general managers and people like myself in senior positions. The money that will become available from the amalgamation will be used to generate greater employment where needed, either doing work or other services that councils provide. Rather than a loss of employment, we see greater employment coming out of it, particularly for those people who are most concerned about it.<sup>263</sup>

- 5.100** The key to ensuring the protection of rural communities in any amalgamated council is to develop a structure that does not centralise employment but distributes it in such a manner that no town is disadvantaged.

### ***Small Rural Towns: Nundle Case Study***

- 5.101** Nundle Shire Council is the smallest shire in New South Wales. The town of Nundle has a population of 250. The shire depot, which is located in the town, employs about 22 people. Nundle typifies the concerns of many small towns, and like them needs assurance that the current process will not destroy its community:

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<sup>261</sup> Mr Knowles, Wellington Council, Evidence, 24 October 2003, p27

<sup>262</sup> Mr Maclean, Australian Services Union, Evidence, 23 October 2003, p21

<sup>263</sup> Mr Ryan, Orange City Council, Evidence, 24 October 2003, p6

When we met the Minister in Tamworth a couple of months ago he assured us that in any boundary claims, changes or amalgamations he would not see the desecration of any towns like Nundle. He assured us of that.<sup>264</sup>

**5.102** During the appearance by the Director General of the Department of Local Government at the public hearing on 14 November 2003 the concerns of Nundle were raised during the examination of the general reform process. The Director General appeared to echo the assurances given by the Minister:

We are not going to change Nundle; Nundle will still be Nundle and will be known as Nundle and we won't change the street signs...Their concerns to me were exactly that, they want to preserve not so much the shire but the area of Nundle and its unique character. I do not see that changing...They were concerned to make sure they had both a political and administrative representation in the larger body so that if something happened, a pothole developed or a seat in the town broke, they could get it fixed. That is reasonable and hopefully the system that is a product of this review will cater for those things.

...I have had extensive discussions with them and I do not see the unique nature of that town changing other than hopefully that the level of services and facilities that go into it from a local government perspective increase.<sup>265</sup>

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<sup>264</sup> Mr Hoad, Nundle Shire Council, Evidence, 4 November 2003, p18

<sup>265</sup> Mr Payne, Department of Local Government, Evidence, 14 November 2003, p4

**5.103** Notwithstanding the Director General's guarded use of the term 'hopefully', the Mayor of Nundle was somewhat optimistic that if an appropriate amalgamation that included the entirety of the current shire took place there was an opportunity for the depot at Nundle expanding.<sup>266</sup>

***Case Study: the ACT Region***

**5.104** The two proposals arising from the ACT region review – a new capital city regional council and a new southern tablelands council respectively – both address the issue of maintaining local employment.

**5.105** The proposal for the creation of a new southern tablelands council directly addresses the issue of concern regarding local job losses in its narrative on the advantages and disadvantages of the new local government area:

...To address this [concern], however, there are a number of important strategies and reforms proposed to be implemented. These include: the establishment of shop front or branch offices or transaction centres; the retention of depots in their present locations, where at all practicable; the creation of specialised centres of employment spread across the region; the creation of precinct committees in key locations; the rotation of council meetings and other activities around the region.<sup>267</sup>

**5.106** The proposal includes:

- The creation of six precinct committees. The area of responsibility for each of the precinct committees is identified (Crookwell, Taralga, Goulburn, Marulan, Southern Mulwaree and Gunning).
- The distribution of the workforce of the new council in precinct committee areas, in keeping with the needs of those areas.
- The development, where possible, of workforce centres of excellence associated with particular needs of precinct committee areas.
- The development of place management systems in each of the precinct committee areas to handle such matters as information flows, routine payments and applications, advice and queries.<sup>268</sup>

**5.107** The proposal recommends that the above points be included in the new council's own charter, and that this charter be introduced by statutory amendment or by proclamation.

**5.108** The proposal for the creation of a new capital city regional council proposes the creation of seven precinct committees (Queanbeyan, Queanbeyan River, Bungendore, Braidwood, Gundaroo, Yass, and Murrumbateman). It also recommends that the new council be defined in terms of its own charter.

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<sup>266</sup> Mr Hoad, Nundle Shire Council, Evidence, 4 November 2003, p19

<sup>267</sup> M. Daly, *Proposal for the creation of a new Southern Tablelands Council*, October 2003, p9

<sup>268</sup> M. Daly, *Proposal for a new southern tablelands council*, October 2003, p5

- 5.109** Both proposal documents are necessarily couched in terms of ‘recommendations’ and ‘proposals’, and they are unable to specify the workforce numbers that would be assigned to each precinct. As such it is impossible to assess what the overall effect would be on the various towns within the local councils concerned.
- 5.110** While assurances, expectations and preliminary planning are welcome - it is the outcome that is important to the people of small rural towns.

***The Committee’s view***

- 5.111** It is possible to require by proclamation that a new council maintain a certain level of workforce in certain locations.<sup>269</sup> We therefore see no reason why any rural town needs to suffer a loss of overall employment numbers as a result of amalgamation, apart perhaps from senior positions.
- 5.112** We believe that any proposal for amalgamation must address the issue of maintaining the social and economic fabric of the various communities within the new area. Any proposal that is ultimately presented to the community for consultation and/or endorsement must provide the level of detail that guarantees communities will not be disadvantaged.

**Creating a new council – and giving it a new name**

- 5.113** During the inquiry the committee heard from many individual citizens and community groups who expressed fear and mistrust regarding proposals for boundary adjustments that had been submitted by councils as part of the Minister’s call for structural reform proposals. These concerned individuals and groups invariably came from smaller councils that had been included in proposals put forward by adjoining or nearby larger councils.
- 5.114** The common fear was the larger council would ‘take-over’ the smaller council(s) in the event of an amalgamation. This fear has led to many people adopting a staunch anti-amalgamation stance. In many cases their criticisms were not directed against the concept of amalgamations per se as much as they were directed against what they viewed to be the ‘predatory’ council. This climate of fear and uncertainty has, for many, indelibly prejudiced the debate on this issue.
- 5.115** One concern expressed by some inquiry participants was that some larger councils were seeking amalgamation solely as a means to improve their financial position. The President of the Shires Association agreed that in any amalgamation it is not simply a case of adopting or imposing the structure of the largest council:

With a group of councils, just because you are larger does not mean you are better. I could give you examples—but I am not going to—where the larger council may be surrounded by three or four smaller ones but is not the best operator, does not run the best show, and does not deliver the best services.<sup>270</sup>

<sup>269</sup> Mr Payne, Department of Local Government, Evidence, 23 October 2003, p44

<sup>270</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p10

- 5.116** An even greater concern of many community members with respect to specific proposals was that the larger council had no understanding of, or experience in, servicing the types of communities of the smaller councils. For example, Mr Brian Dellow, a resident of Oberon and a representative of the Oberon No Forced Amalgamations Group, expressed one of his concerns regarding an amalgamation proposal submitted by Bathurst City Council:

Bathurst, our neighbouring town, is an inland city, not basically a rural community...We feel that the submission by Bathurst City Council is only a greedy land grab. Bathurst City Council has no understanding of rural matters.<sup>271</sup>

- 5.117** The Deputy Mayor of Bathurst City Council acknowledged that any new council created as a result of an amalgamation must have a new identity:

We all see ourselves as incredibly important in local government, but community identity is not based entirely on the name of each shire. When talking about structural reform, certainly Bathurst City Council does not see that as a predatory takeover; it is about changing the nature of local government. It is not about Bathurst taking over anyone, it is about a new identity being forged based on a broader region rather than what we consider an anomaly at this stage.<sup>272</sup>

- 5.118** The Deputy Mayor of Nundle Shire Council also acknowledged the importance of any amalgamation resulting in the creation of a completely new council. He cautioned that it will take some effort to convince people that such changes are not simply the imposition of one existing structure upon another:

As for the big picture that we have been told we have to look at, we are happy to go into the big regional council. If it all works properly there will be nothing wrong with the big regional council. Tamworth city [council] will no longer exist, it is finished, but you have to convince a lot of people who are working 20 hours a day that things are going to be better for them.<sup>273</sup>

- 5.119** The proof that any new amalgamated council is a completely new entity will be seen in its governance mechanisms and structure. These must provide a capacity for a regional outlook and decision making, effective and responsive local representation, and community input. The ability to guarantee and enshrine these structures is discussed at paragraph 5.135 onwards.

- 5.120** While some might decry it simply as a symbolic gesture, one method of reinforcing to the community that an amalgamation is not simply a case of one council(s) being taken over by another is to bestow a completely different name on the new council. In his proposal document for the creation of a new southern tablelands council, at the section on council name, Professor Maurice Daly states that it is important that no particular council must be considered or be seen to be the victor, and none the vanquished. Professor Daly recommends that the name of this proposed new council should be decided by the (proposed) interim steering committee following public consultation.<sup>274</sup>

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<sup>271</sup> Mr Brian Dellow, Evidence, 24 October 2003, p50

<sup>272</sup> Ms Knowles, Bathurst City Council, Evidence 24 October 2003, p17

<sup>273</sup> Mr Schofield, Nundle Shire Council, Evidence, 4 November 2003, p21

<sup>274</sup> M. Daly, *Proposal for the creation of a new Southern Tablelands Council*, p34

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**Recommendation 17**

That any new council created via the current reform process should adopt a new name that reflects the region or the shared community of interest.

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**How should amalgamations be implemented?**

- 5.121** The emphasis in this report is that although amalgamations can sometimes be desirable they are not the answer to the difficulties facing local government. Governance and not size is the most crucial element of local government. Chapter 4 examined this issue and the recommendations contained in that chapter are essential to the implementation of any new amalgamated council entity (as indeed they are to all current councils). This section therefore examines the non-governance issues that should be addressed in any amalgamation that may occur as a result of the current reform process.

**When should the new operating structure commence?**

- 5.122** Witnesses who had been involved in previous amalgamations argued that there is a range of issues that have to be addressed when creating a new organisational structure. The Committee also heard that when remnants of the previous structures are, sometimes by necessity, maintained this can have a detrimental effect on the efficiency and morale of the new organisation.
- 5.123** Ideally a new council would have its new operating structure defined and in place at the commencement of its operations. The lawyer and town planner, Mr John Mant argued the importance of breaking all links to the previous structures in order to remove the uncertainty of a transition period and to engender staff commitment to the organisational goals:

If you have two councils that you want to amalgamate, a new organisational structure should be designed for the new council, hopefully on a quite different basis to the old ones. Staff on the two councils should apply for the number of available positions, which are the only positions that you need. Those who are unsuccessful should be guaranteed work for two years or more, but as consultants to the core structure. Once everyone has a position in the new organisation, old organisations should be wound up. On day one you are immediately operating with a new organisation designed for the job to be done, with a newly elected council. You could make out a case for amalgamation if it is done like that.<sup>275</sup>

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<sup>275</sup> Mr John Mant, lawyer and town planner, Evidence, 23 October 2003, p38

- 5.124** The current General Manager of Merriwa Shire Council was involved in the amalgamation process that brought about the creation of the Pristine Waters Council. Mr Baldwin spoke about the administrative and morale difficulties associated with the new council operating with three different salary systems for its workforce for the first three years.<sup>276</sup>
- 5.125** The proposals, arising from the ACT regional review, for the creation of a new capital city regional council and a new southern tablelands council both recommend that a new organisational structure should be agreed prior to or soon after the (proposed) proclamation of the new councils.<sup>277</sup> Both proposals state that a single industrial agreement will have to be negotiated.
- 5.126** The proposals also recommend the establishment of a steering committee for the interim between the proclamation of the proposed new councils and the subsequent elections. As previously stated at paragraph 5.61, it is our view that the issues to be addressed by the proposed steering committees should as far as practicable be decided prior to any proclamation.

### **The workforces in amalgamated councils**

- 5.127** The prospect of amalgamations naturally is a cause of concern for council employees. The government's *Local Government Amendment (Employee Protection) Act 2003* commenced on 5 September 2003 is relevant in this regard.
- 5.128** The employment protection amendments brought about by the Act apply to all non-senior staff of a council in which organisational restructure occurs as a result of constitution, amalgamation or boundary adjustment. The main feature of the Act is the prohibition on forced redundancies within three years of the proclamation of a council restructure. Other features of the Act include:
- Use of lateral transfer provisions to protect existing employment conditions of staff; and transferred staff to be preferred candidates for positions when suitably qualified.
  - Prohibition on forced redundancies by a council during the period a formal proposal for structural reform has been received and is under consideration.
  - Preservation of employment conditions, including leave and superannuation entitlements, as if a transferred employee was continuing with the same employee.
  - Provision for the Minister to deem as inappropriate any employment terms or conditions that are made during the period that a formal proposal for structural reform has been received and is under consideration so that they are not binding on a new council.<sup>278</sup>

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<sup>276</sup> Mr Baldwin, Merriwa Shire Council, Evidence, 4 November 2003, p41

<sup>277</sup> M. Daly, *Proposal for the creation of a new Capital City Regional Council*, p20; *Proposal for the creation of a new Southern Tablelands Council*, p26

<sup>278</sup> The Hon Tony Kelly, MLC, Minister for Local Government, second reading speech, *Local Government Amendment (Employment Protection) Act 2003*, 25 June 2003

- 5.129** The Assistant National Secretary of the Australian Services Union advised that while there is one award for local government employees that covers the whole State, which is essentially the principal contract of employment, there are many local agreements that have been entered into. Some of these local agreements have included a flexible work structure which has resulted in multi-skilled employees, as opposed to other councils that have retained traditional fixed work structures. There was a concern that this might lead to workers from one council being disadvantaged in an amalgamation in terms of their competitiveness for positions in the new council.
- 5.130** While nothing can, nor should, be done to interfere with the relative competitiveness of candidates for a position, Mr McLean did caution that in some cases there are work practices that have developed for the good of the community. He argued that when councils and work practices are merged there is a balancing effect that needs to be maintained.<sup>279</sup>
- 5.131** The United Services Union (USU) advised that in its view the experience of recent amalgamations have proved detrimental to local communities. With respect to council employees the USU believes the impact over the past several years has been job losses, heavier workloads, loss of morale, and the growth in less secure types of employment such as casual work and labour hire.<sup>280</sup>
- 5.132** The position of the USU is that the Government must ensure: no forced redundancies for at least three years; salary maintenance; protection of conditions; preservation of all leave and superannuation entitlements; and no unreasonable relocation of staff. The Union believes the last point is very significant given the potential for amalgamation of geographically large councils.<sup>281</sup>
- 5.133** The USU believes that there are several flaws in the *Local Government (Employment Protection) Act*. The concerns of the union included:
- ability of the general manager of a new council to disregard pre-existing employment determinations made during a proposal period
  - the requirement for lateral transfers should be strengthened
  - a prohibition on all unreasonable relocations of employees
  - maintenance of core employment numbers and minimising the adverse impact on local employment
  - clarification that employment guarantees apply to all existing employees as well as transferred staff.
- 5.134** The USU said that at recent discussions with the Minister for Local Government and the Premier they had been assured that their concerns would be addressed. They acknowledged that this had yet to occur and until then the current fear among council workers will remain.<sup>282</sup>

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<sup>279</sup> Mr McLean, Australian Services Union, Evidence, 23 October 2003, p24

<sup>280</sup> Mr Douglas Woodhouse, United Services Union, Evidence, 24 October 2003, p44

<sup>281</sup> Mr Woodhouse, Evidence, p45

<sup>282</sup> Mr Edward Ellery, United Services Union, Evidence, 24 October 2003, p47

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**Recommendation 18**

That the State Government give immediate priority to resolving its position regarding concerns raised about the *Local Government (Employment Protection) Act*, in order to remove any uncertainty well before the March 2004 council elections.

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**Proclamation of the new council**

**5.135** A sense of uncertainty has imbued the structural reform process. To help overcome this, the structure and operations of a proposed amalgamated council should be guaranteed as much as possible prior to the commencement of its operations.

**5.136** At present some participants in the current reform process are concerned that any agreements reached or concessions made in good faith on behalf of their community today have no guarantee in the future:

But at this stage we have our meetings with the four other councils, we come away from them feeling good and that everything will be fine. But we know when the elections happen and the 12 new councillors take up their jobs and we get a new general manager in there, whoever it might be, we will have no guarantee about anything.<sup>283</sup>

**5.137** The President of the Shires Association was asked if she had any suggestions for safeguards that could be put in place to ensure the representation of residents in amalgamated councils. She suggested including such details in the proclamation of any new council:

Where there are councils coming together through amalgamations, as it stands at the moment they have opportunities to put forward proclamations on how they might structure their representational base. I do not believe that I can have an opinion broadly across the State, other than that everyone in the community is entitled to be represented by their local councillor.<sup>284</sup>

**5.138** This strategy was further explored with the Director General of the Department of Local Government:

**Ms SYLVIA HALE:** If you say that everybody is going to be entitled to the same level of service and if there is a prospect that smaller councils will be merged or will enter into some sort of arrangement, how do you intend to ensure that those services are still going to be available equally across the region or in the area?

**Mr PAYNE:** It will happen. It has happened. Services may change. There will be change and there will be different emphasis on things, but at the end of the day, unless the level of service and facilities improve, then really it has not been worthwhile. So it

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<sup>283</sup> Mr Schofield, Nundle Shire Council, Evidence, 4 November 2003, p23

<sup>284</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p7

will improve. How do we do that? We can do it in a number of ways. I think the organisation could do it without our interference anyway, but we can write into proclamations—and I suppose even through legislation—certain requirements.<sup>285</sup>

**5.139** The Director General also observed that the detail that might be included in any proclamation would depend on the local characteristics and community needs of the specific area. He suggested that in the more remote areas of the State there may be a greater likelihood of the use of empowered precinct or community committees in those areas to look after the local needs. These committees could be included in the proclamation for a new council.

**5.140** It emerged that one of the major concerns of small rural communities – the effect of the loss of the local council workforce on the economy and social fabric of small rural towns – could also be addressed by this method:

**Ms SYLVIA HALE:** I think that, particularly in rural areas, the other major concern is the perceived loss of jobs and the adverse impact this will have on the community as a whole. How do you see this being dealt with?

**Mr PAYNE:** There is legislation that in place to protect jobs for a period. But once again you could—and I am only theorising now—by proclamation require a council to maintain a certain level of workforce in certain locations there now, but not necessarily the same people.

**The Hon. RICK COLLESS:** Who could—the Department?

**Mr PAYNE:** By proclamation, yes. I do not think it is going to be a major worry because the councils will all have to provide staff to some of these outlying areas to do the works and services. I think it will just happen. That is the type of thing I would expect that we would negotiate as part of the review process.<sup>286</sup>

### ***The Committee's view***

**5.141** As discussed earlier, we believe that the protection and nurturing of small rural towns should be a primary guiding principle in the Government's structural reform process. A number of witnesses argued that it is quite valid to live with some economic inefficiencies, such as maintaining positions in a town, in order to provide the greater overall good for the community.<sup>287</sup> We do not advocate that scarce local government finances should be expended without due care and diligence. Rather the Government needs to achieve the best social result for monies spent as opposed to achieving the least expensive result:

Cost effectiveness is very different to cost efficiency...it relates to the fact that people believe governments are there to provide services that are important to them – not necessarily services that produce a profit, and not necessarily provide services at the lowest cost.

<sup>285</sup> Evidence, 23 October 2003, p44

<sup>286</sup> Evidence, 23 October 2003, p44

<sup>287</sup> Mr Mant, Evidence, 27 October 2003, p39

You say efficiency and democratic processes should go hand-in-hand. I say cost effectiveness does go hand-in-hand with democratic processes. And cost effectiveness can mean some things have to be subsidised.<sup>288</sup>

**5.142** Many inquiry participants cited the maintenance of their local workforce as their most urgent concern. It was clear they would gladly forego other or improved services in order to maintain their local workforces.

**5.143** The two proposals, arising from the ACT regional review, for the creation of a new capital city and a new southern tablelands council both recommend that the new council be defined in terms of its own charter as an extension of the general charter that affects all councils. The reports note that this may be introduced by statutory amendment or by proclamation. They then go on to list the elements that should be included in the proclamation. We believe this needs to be followed in other areas and used as a way to safeguard the social and economic fabric of rural communities.

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### **Recommendation 19**

That each new council that is created as part of the current reform process should have its own specific charter and have its agreed governance details included in its proclamation.

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## **Conclusion**

**5.144** The Committee considers that amalgamation is not an end in itself. Creating bigger councils does not necessarily address underlying financial difficulties. The fear of many rural communities is that amalgamation will lead to the loss of their local identity, loss of jobs and, in some cases, destruction of small rural towns. There are ways that structural reform can be achieved without the dire effects predicted by many who are concerned about the current process. However this requires a commitment to consultation, to adequate safeguards and to pursuing the most socially and economically effective solutions, rather than the cheapest or most expedient.

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<sup>288</sup> Ms Irwin, Southern Cross University, Evidence, 27 October 2003, p58

## Chapter 6 Alternatives to Amalgamation

The Government's structural reform program has provided a major impetus to explore alternatives to amalgamation. Councils and communities across the State are eager to find ways to improve their efficiency while maintaining their local representation, in order to lessen the threat of amalgamation. Most of the alternatives proposed by inquiry participants involve some form of alliance between neighbouring councils, although the possible rejuvenation of county councils has also been proposed.

Some people consider it is necessary to completely redraw local government boundaries in New South Wales, to better reflect the social and ecological elements of a region. This chapter discusses some of these ideas, including a model developed by the Institute for Rural Futures at the University of New England.

### Governance vs amalgamation

- 6.1** A common message throughout this inquiry is that communities want efficient local government but they also want to participate in local decision making and they do not want to sacrifice one for the other. A major criticism of the Government's reform program is that it is too narrowly focussed on amalgamation, rather than on governance. According to Professor Kevin Sproats, we need to find ways to allow local government to be both efficient and participatory:

I think amalgamations are not the way to go about it, because it approaches it from government as an instrument; it does not approach it from the concept of governance, which is what I understand you are talking about. Once you approach it as other parts of the world are approaching it—that is, how do you set up structures that will allow governance at a local level to move ahead—the last thing you want to do is to simply make bigger or smaller versions of what we have now...the big challenge for local government structural reform is how, at the one level, to deal with governance issues that have to be dealt with at a regional level, and how, at the other level, to deal with governance issues that need to be dealt with at the local level. They are different issues.<sup>289</sup>

- 6.2** Whatever the merit of some of the alternative amalgamation proposals, it is important to acknowledge the motivation behind them. People want to maintain their local links and representation, as well as have access to the services they require for daily life. The challenge, suggested by Professor Sproats, is to create or encourage structures that seek to fulfil both requirements.

### Regional alliances

- 6.3** One of the most important areas for structural reform suggested during the inquiry is the development and strengthening of regional alliances between councils. These alliances may take the form of shared regional planning, resource sharing, joint purchasing schemes and

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<sup>289</sup> Professor Kevin Sproats, University of Western Sydney, Evidence, 27 October 2003, p14

special regional projects. For example, several councils in the Hunter region are establishing a records repository to serve participating councils. Some but not all of these alliances are forged within the structure of ROCS (Regional Organisations of Councils).<sup>290</sup>

- 6.4** Effective regional cooperation may lead to improvements in efficiencies between councils and expanded access to services. It may allow smaller councils to utilize the resources of larger councils while maintaining the 'integrity' of their local area, perhaps averting the need for amalgamation. While some councils have pursued partnerships for many years, the Government's current reform agenda appears to have encouraged a surge of activity in recent months.<sup>291</sup>

### **Limitations of resource sharing**

- 6.5** While the Committee has received a good deal of evidence regarding the benefits of regional alliances, there are also limitations to some of these activities, especially it seems, with resource sharing:

...the problem with resource sharing is that if you are trying to work with a neighbouring council with big equipment the timing of when each council wants the equipment never works out. Everybody wants it at the same time when it is not raining and in those months when you can progress your road works.<sup>292</sup>

...when you have an uneven number of resources and infrastructure being offered by a one council there are not a whole lot of benefits entering into an arrangement with another council that does not have those compatible services and infrastructure.<sup>293</sup>

...you really cannot achieve a significant number of benefits from trying to share graders and other plant items over a very large area because generally if it rains in a particular area and it is best that you go out there and grade without having to use additional water carts and rollers to get a better surface, each area will want to use a grader at the same time. Some of the quoted benefits of resource sharing in practice really are not achievable.<sup>294</sup>

### **Strategic alliances**

- 6.6** During its public hearing at Orange, the Committee heard about a unique and promising example of effective cross-council collaboration. In August 2003, Wellington, Blayney and Cabonne Councils formed a strategic alliance to facilitate economies of scale and to increase the range and quality, but not the cost, of services available to residents in these local government areas.<sup>295</sup> The agreement formalises a commitment to continually identify areas for potential cost savings and service improvement. One of the key aims of the alliance is to

<sup>290</sup> ROCS serve as forums for a group of councils in a particular geographic region

<sup>291</sup> Mr John Davis, Mayor, Blayney Shire Council, Evidence, 24 October 2003, p36

<sup>292</sup> Mr Bransdon, Evidence, 5 November 2003, p45

<sup>293</sup> Ms K Knowles, Deputy Mayor, Bathurst City Council, Evidence, 24 October 2003, p21

<sup>294</sup> Mr P Henry, General Manager, Inverell Shire Council, Evidence, 14 November 2003, p30

<sup>295</sup> Submission 126, Wellington Council, p41

protect and promote employment opportunities in the towns and villages of the participating councils:

The fabric of our community is at the heart of our concept. We are trying to seek reform in local government, trying to find economies of scale without the detrimental effects of amalgamation.<sup>296</sup>

One of the policies of the alliance is to increase our staff, not decrease it, and to do so by savings, which in turn allow us to provide more services for the community. At the end of the day, that is what it is all about. If the community is happy, the Government should sit back.<sup>297</sup>

**6.7** The alliance is steered by a board comprising the Mayor, a second elected council representative and the General Manager from each participating council. The board meets at least bi-monthly and the position of chair is rotated on a twelve monthly basis. The agreement calls for the strategic alliance to be reviewed every twelve months to quantify the savings and benefits being derived for residents and ratepayers.

**6.8** By all accounts, the alliance is working well. The President of the Shires Association was enthusiastic about the potential for this type of arrangement being emulated in other areas across the State:

That is one of the best proposals that I have read. I believe that could be mirrored in other areas across the State where people still have their autonomy as a council but they are broadly doing everything together: Their budgets are coming together, their planning is coming together, and I think it is really important.<sup>298</sup>

**6.9** The Committee heard that in response to interest from other rural councils, the alliance partners are proposing to hold a seminar in Easter 2004.<sup>299</sup>

**6.10** None of the representatives from Wellington, Cabonne or Blayney thought that the extensive level of cooperation brought about by the alliance would naturally lead to an amalgamation of their councils. However, the President of the Shires Association took the view that if successful, such alliances could potentially have a surprising effect in the long term:

There has been some concern of councils that "Oh, if we do that, they are going to amalgamate us." I said that if that does happen, and this has worked [for]10 years and there is a working relationship with your neighbouring council, it may not be the Government wanting to amalgamate you; it might be the two communities. The groundwork may have been set to bring those two communities together to work more collaboratively. I believe that that strategic alliance approach is a very good stepping stone to bringing communities together and working together to achieve the best outcomes for their communities.<sup>300</sup>

<sup>296</sup> Mr Stephen Wall, Wellington Council, Evidence, 4 November 2003, p31

<sup>297</sup> Mr John Farr, Mayor Cabonne Council, Evidence 24 October 2003, p43

<sup>298</sup> Ms Phyllis Miller, President, Shires Association of NSW, Evidence, 23 October 2003, p9

<sup>299</sup> Mr John Farr, Cabonne Council, Evidence, 24 October 2003, p40

<sup>300</sup> Ms Miller, Shires Association of NSW, Evidence, 23 October 2003, p10

## The role of ROCs

**6.11** A key concern among many inquiry participants is how to encourage and strengthen cooperative relationships between councils. A frequent suggestion was that the State Government should support ROCs to play a major role in forging strong and effective regional alliances:

Most ROCs run joint purchase arrangements with particular councils that are very successful in saving money for member councils. We could look at expanding that role and giving ROCs a greater role. We could encourage councils to use ROCs to set up service delivery models on a regional basis ... For example, library services, waste collection and a whole range of other opportunities could be encouraged by the State Government.<sup>301</sup>

**6.12** Mr Alex Gooding, the Executive Director of WSROC suggested the State Government could support such initiatives by funding a range of pilots, testing which ones work the best and examining the overseas experience. Following this, the Government could consider funding ROCs to roll out joint activities and to work with councils to achieve economies of scale.<sup>302</sup>

**6.13** However, several other witnesses raised concerns about the capacity of ROCs to undertake this important role, with many considering ROCs to be 'too big and cumbersome'.<sup>303</sup>

**6.14** It has also been suggested that ROCs lack the necessary clout to encourage greater council collaboration. Professor Sproats believes that their effectiveness is hampered because, unlike regional forums in Queensland, they are generally not meetings of mayors.<sup>304</sup> Professor Sansom argues that the current structure of ROCs may also prevent them from taking a leading role in developing cross-council collaboration:

... if we wanted to use ROCs as a vehicle for addressing some of the service overlaps, inequalities and other issues ... I think we have a major developmental task on our hands...it would require a much clearer policy framework, and maybe even a legislative framework ... because I am not sure that many councils would be happy about handing over large sums of money to a regional organisation that did not have a much clearer framework around it than exists at present.<sup>305</sup>

**6.15** Professor Sansom's concerns about ROCs were echoed by the Director General of the Department of Local Government:

... I do not think it is my preferred option because I have watched ROCs over a number of years, some work very well, it depends on the personalities that drive them because you can get high levels of conflict...In terms of driving the day-to-day operations of local government services and facilities I am not sure ROCs are the way to go.<sup>306</sup>

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<sup>301</sup> Mr Gooding, WSROC, Evidence 27 October 2003, p11

<sup>302</sup> *ibid*, p11

<sup>303</sup> Mr Farr, Cabonne Council, Evidence, 24 October 2003, p40

<sup>304</sup> Professor Sproats, University of Western Sydney, Evidence, 27 October 2003, p17

<sup>305</sup> Sansom, Evidence, 23 October 2003, p18

<sup>306</sup> Mr Garry Payne, Director General, Department of Local Government, Evidence, 14 November 2003, p8

***The Committee's view***

- 6.16** There is substantial support for councils to work together more effectively in relation to regional service delivery, resource sharing and strategic planning. This type of collaboration should be an issue of ongoing interest for councils whether or not they face the prospect of amalgamation or boundary changes and whether or not they are auspiced by ROCs.
- 6.17** The alliance between Wellington, Blayney and Cabonne Councils shows considerable potential as a viable alternative to amalgamation. While it is still a fairly new initiative, it should be monitored and encouraged by the Government and the Associations. We believe this voluntary, co-operative approach has greater potential for positive outcomes than forced amalgamations.
- 6.18** In order to encourage other councils to implement innovative regional or cross-council initiatives, the Government should establish an annual award to recognise local councils for innovative and effective cross-council initiatives. The award program should be administered by a panel, convened by the Local Government and Shires Associations, with funding from the Department.

**Recommendation 20**

That the Department of Local Government provide funding for an award which recognises effective and innovative cross council cooperation. The award would be administered by a panel convened by the Local Government and Shires Associations.

**A two-tiered approach to local government?**

- 6.19** Another potential alternative to amalgamation, particularly in less populated parts of the State, was proposed by Professor Sansom. A recent visit to South Africa has stimulated his thinking regarding the possibility of a two-tiered approach to local government:

A couple of years ago the [South African] government made major changes to local government boundaries. The underlying force behind that was the need to address resourcing problems of smaller councils...The interesting element of that experience which I think may have some lessons for us here is that in rural areas they decided to go for a two-tier system with the major service delivery in district councils and the old local councils, the old municipalities, playing much more of a community management role. There may be something in that.<sup>307</sup>

- 6.20** Not only does such an arrangement allow smaller councils to access the resources of larger councils, its does not come at the expense of the larger council, as the following exchange demonstrates:

<sup>307</sup> Professor Sansom, UTS, Evidence, 23 October 2003, p13

**MS SYLVIA HALE:** In relation to problems in New South Wales particularly with, say, doughnut councils, there is often a sense of unease that the larger council may be providing services which the smaller councils are not contributing to, but obviously the smaller councils are held very dearly by the local residents, and they have been very vocal. Do you see any way of evening out the inequalities?

**PROFESSOR SANSOM:** In the final analysis the only way you can even out the financial inequalities and the service delivery inequalities is by moving to a more broadly based organisation in a geographic sense...perhaps we need a two-tier arrangement to maintain the sense of community, which I agree is often very important in different parts of the areas of those doughnut councils, but at the same time address the obvious service delivery problems.<sup>308</sup>

**6.21** Professor Sanson suggests that the old county council structures, common 30 years ago, could provide this second tier:

...going back to the old county council concept with community-level bodies to provide that local representation and the capacity to make a marginal difference locally. The systems are there already. I think the county councils are still on the statute book. We have the provision for special rates, local improvement rates, and so on. The framework is there. It is a matter of deciding whether we are going to use it, as I said before, in a more creative way to address some of the problems we are facing.<sup>309</sup>

**6.22** Andrew Kelly makes a similar suggestion in a recent article in the *Local Government Law Journal*. He argues that in light of the Premier's recent comments regarding 'fewer but stronger councils', this idea is well worth exploring:

For those agitated by such comments, county councils may be an alternative worthy of exploration. Not only might they provide opportunity for greater efficiency but place local government in a more responsible position in dealing with regional issues, such as coordinated regional action. Moreover, county councils do not abolish the 'lower tier' councils that are closer to the grassroots electorate. They can deal with the matters delegated upwards to improve local government's stature and capacity.<sup>310</sup>

**6.23** Interestingly, Kelly notes that the Barnet Inquiry, which led to an active period of forced amalgamations between 1975 and 1985 also perceived the two tiered-structure offered by county councils as a means of circumventing amalgamation.<sup>311</sup>

## Maps, models, lines, and catchments

**6.24** The Committee heard from several people who consider that any discussion of amalgamations should be preceded by a complete review of local government boundaries. They argue that current boundaries which were drawn 100 years ago are not relevant to communities today:

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<sup>308</sup> *ibid*, p13

<sup>309</sup> *ibid*, p16.

<sup>310</sup> Kelly A, 'NSW County Councils: their emergence, demise and potential resurrection', *Local Government Law Journal* Vol 9, November 2003, p 72

<sup>311</sup> *ibid*, p66

...voluntary (or forced) amalgamations of councils that do not represent their communities now will not work and may even be worse – embedding irrelevant boundaries for another century.<sup>312</sup>

- 6.25** The President of the Shires Association was strongly of the view that any redrawing of local government should be left to local government itself:

There are plenty of lines on maps and academic studies that have been done, and I think they should be put through the shredder... We will draw our own lines and work out our own maps. I think local government is big enough to do that.<sup>313</sup>

- 6.26** Several regional and rural councils think that boundaries should be redrawn to reflect catchments or sub catchments:

If we are going to look at reform and a new way of doing things, the opportunity is to look at the lines that will not move, the catchment lines.<sup>314</sup>

- 6.27** The Tamworth/Nundle/Parry/Manilla amalgamation proposal is based on catchment areas:

Nundle, Parry, Tamworth and Manilla cover the whole of the Peel Valley and the headwaters of the Namoi catchment. For that reason there is a great deal of interest between the councils.<sup>315</sup>

- 6.28** While an entire catchment may be too large to accommodate a single local government entity, the Mayor of Gunnedah suggests these could be broken down into sub catchments:

There are about 20 plus catchments around NSW. We suggest not just 20 catchments but sub catchments within each of those catchments. What you are looking at is trying to endeavour to move away from the community of interest to the physical community of interest. Your community interest for education and support for shopping changes from day to day, but your physical community of interest does not change. You cannot move the rivers or the mountains.<sup>316</sup>

- 6.29** Professor David Brunckhorst, from the Institute for Rural Futures at the University of New England, presented the Institute's model for determining regional local government boundaries. The model combines social survey data with data about the local environment, to identify regions which better reflect the social functions of rural communities and the ecological functions of the landscape. The model has recently been applied to a case study region in northern New South Wales.<sup>317</sup>

<sup>312</sup> Submission 19, Professor David Brunckhorst, p1

<sup>313</sup> Ms Phyllis Miller, Shires Association of NSW, Evidence, 23 October 2003, p5

<sup>314</sup> Ms Gae Swain, Mayor, Gunnedah Shire Council, Evidence, 4 November 2003, p43.

<sup>315</sup> Mr Phillip Lyon, General Manager, Tamworth City Council, Evidence, 4 November 2003, p3.

<sup>316</sup> Ms Swain, Mayor, Gunnedah Shire Council, Evidence, 4 November, p46.

<sup>317</sup> Professor David Brunckhorst, University of New England, Evidence, 14 November 2003, p16

- 6.30** Professor Brunckhorst described the principles for drawing boundaries that best reflect the social functions of regional communities as well as the ecological functions of the landscape:

The first is that the region should capture the place that is the social capital...the landscape area that is of greatest interest to the region or local residents. Second, that the region maximises or captures the greatest similarities of environmental landscape, which reflects land uses, management of ecological resources, water supply and so on. The third condition ... is this region can be scaled up and down for integration for other kinds of service delivery or management.<sup>318</sup>

- 6.31** The methodology includes a comprehensive survey tool in which a sample of local residents is asked to nominate their areas of interest in terms of their community, local government and regional development.

We had a lot of [survey] questions like where residents go for different services, major and minor, shopping, health services and things like that. ...We asked people where their junior sporting associations were, where they took their kids to play sport with or against other towns or communities. An interesting question we asked was when they had been away on holidays and were driving home, when did they feel like they were almost home even though they still had some way to go?<sup>319</sup>

- 6.32** While the model has so far only been applied to one region in NSW, Professor Brunckhorst believes it could and should be applied across the State.<sup>320</sup> He estimates that the cost of applying the model to the whole of the State, excluding Sydney, would be between \$600,000 to \$2million and would take at least one year to complete.

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### **Recommendation 21**

That the Department of Local Government investigate the feasibility and cost of applying the model developed by the Institute of Rural Affairs for determining local government boundaries across New South Wales.

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## **Conclusion**

- 6.33** The structural reform process has generated some innovative ideas and creative solutions to the challenges facing local government. Encouraging efficiency and good governance by co-operation between councils should be a priority in the Government's reform program.

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<sup>318</sup> *ibid*, p16

<sup>319</sup> *ibid*, p17

<sup>320</sup> *ibid*, p21

## Appendix 1 Submissions

<b>No</b>	<b>Author</b>
<b>1</b>	APPLEBY Mrs Kim (Auburn Council)
<b>2</b>	SOUL Dr Stephen
<b>3</b>	BENNETT Mr Paul (Narromine Shire Council)
<b>4</b>	[Confidential]
<b>5</b>	COOTE Mr Tony (The Hunters Hill Trust)
<b>6</b>	SMITH Ms Vera (Lockhart Senior's Inc)
<b>7</b>	CRICH Mr Peter
<b>8</b>	ATKINS Mrs Carol
<b>9</b>	EWERS Ms Patricia
<b>10</b>	STRANGE Clr David (Mosman Municipal Council)
<b>11</b>	MACINTOSH Clr Ian (Bathurst City Council)
<b>12</b>	GRIFFITHS Ms Susan (Gerrora Community Association)
<b>13</b>	MURDOCH Mr Greg (Murray Shire Council)
<b>14</b>	KENT Mr & Mrs Charles & Annette
<b>15</b>	RUSSO Mr & Mrs Percy & Valda
<b>16</b>	TORY Mr Col
<b>17</b>	FLACK Ms Robyn
<b>18</b>	[Confidential]
<b>19</b>	BRUNCKHORST Prof. D (Institute for Rural Futures)
<b>20</b>	QUINN Mr Tony
<b>21</b>	BANYARD Mr Rick
<b>22</b>	PLNYON Mr Phil (Greater Taree City Council)
<b>23</b>	JOHNSTONE Mr/Ms JD
<b>24</b>	[Confidential]
<b>25</b>	GORDON Mr Angus (Pittwater Council)
<b>26</b>	MURPHY Mr Ken (Narrandera Shire Council)
<b>27</b>	BRADLEY Mr Gerard (Coolamon Shire Council)
<b>28</b>	MCCLELLAN Mr Tim (Bogan Shire Council)
<b>29</b>	FOWLER Miss Verlie
<b>30</b>	BRADSHAW Mr/Miss J
<b>31</b>	SOCHAN Mr Chris
<b>32</b>	COAKLEY Mr Colin (Country Women's Association of NSW)
<b>33</b>	FRIEND Clr Alan

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<b>No</b>	<b>Author</b>
<b>34</b>	CLANCY Mrs Kathleen
<b>35</b>	MCMILLAN Mr David (Council of the Shire of Wentworth)
<b>36</b>	CANT Mr David
<b>37</b>	BRAYBROOKS Clr Paul (Cootamundra Shire Council)
<b>38</b>	CHARD Mrs ME
<b>39</b>	KELLER Ms Mary
<b>40</b>	LYON Mr & Mrs Cameron & Linda
<b>41</b>	GORDON Mr & Mrs David & Joanne
<b>42</b>	LOBB Mr TV (Weddin Shire Council)
<b>43</b>	PAULL Mr Barry (Wingecarribee Shire Council)
<b>44</b>	MARZATO Mr Paul (United Services Union)
<b>45</b>	MOXON Mr Neville (Murrurundi Shire)
<b>46</b>	LATHAM Mr Keith
<b>47</b>	PIETOR Mr Edward
<b>48</b>	CAMPBELL Mr/Miss P (Harden Shire Council)
<b>49</b>	LEVY Mr James (Eurobodalla Shire Council)
<b>50</b>	MORSE Mrs Monica
<b>51</b>	CRICH Mr Peter (Cabonne Rural Ratepayers Support Group)
<b>52</b>	DAVIES Mr Ken (Kyogle Council)
<b>53</b>	MANT Mr John
<b>54</b>	OWEN Mr John (Willoughby City Council)
<b>55</b>	SMITH Ms Patricia
<b>56</b>	RYAN Clr Barry (Gloucester Shire Council)
<b>57</b>	MCCORMACK Mr Alan (Parkes Shire Council)
<b>58</b>	FITZPATRICK Mr Bruce (The Oberon Council)
<b>59</b>	MOORE Mr/Ms B
<b>60</b>	CUMMINS Clr Lola (Junee Shire Council)
<b>61</b>	SHARPE Mr David
<b>62</b>	WHITNEY Ms Julie
<b>63</b>	WILLIAMS Mr Ross (Save Hunters Hill Municipality Coalition)
<b>63(a)</b>	WILLIAMS Mr Ross (Save Hunters Hill Municipality Coalition) – <i>Supplementary submission</i>
<b>64</b>	CANT Ms Jean
<b>65</b>	SYMONS Mr J (Molong Central School P&C Association)
<b>66</b>	BAKER Mr & Mrs Garry & Phillipa
<b>67</b>	GOSPER Mr Geoff
<b>67(a)</b>	GOSPER Mr Geoff – <i>Supplementary submission</i>

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<b>No</b>	<b>Author</b>
<b>68</b>	RUSSELL Mr & Mrs Maurice & Bet
<b>69</b>	SHEARER Mr Olive
<b>70</b>	TAYLOR Mr & Mrs Philip & Judith
<b>71</b>	LYONS Mrs Judith
<b>72</b>	MILEY Mr Paul (Eaglereach Wilderness Resort)
<b>73</b>	SCHILG Ms Dorothy
<b>74</b>	GALVIN Mr Dean (The Yerong Creek Parks & Gardens & Progress Association)
<b>75</b>	THOMPSON Mr Kevin (Australian Patriot Movement)
<b>76</b>	DAVIS Mr Alan (Australian Patriot Movement)
<b>77</b>	CHRISTIE Mrs Kerrie (Cumnock & District Progress Association Inc)
<b>78</b>	PENSON Mr Kevin (Manildra Rural Councils Support Group)
<b>79</b>	THOMPSON Mr Bill (Commins Hendriks Solicitors)
<b>80</b>	LUDEKING Mr & Mrs R & D
<b>81</b>	MORROW Mr Brian
<b>82</b>	ROLFE Mr Michael (The Vacluse Progress Association)
<b>83</b>	TAYLOR Mr & Mrs John & Fran
<b>84</b>	STEWART Mr Alan (Tallaganda Shire Council)
<b>85</b>	FORSYTH Mr Michael (The Council of the Municipality of Kiama)
<b>86</b>	PACKE Mr & Mrs John & Kristina
<b>87</b>	ENGLAND Mrs Gaynor (Weddin Shire Media Liaison Committee)
<b>88</b>	PEARSON Mr Brian (Wagga Wagga City Council)
<b>89</b>	BRIEN Mr Greg
<b>90</b>	COOPER Mr Don (Goulburn City Council)
<b>91</b>	RATH Mr Terence
<b>92</b>	SCRIVENER Mr Richard (Eastern Suburbs Greens)
<b>93</b>	SWAIN Cr R G (Gunnedah Shire Council)
<b>94</b>	STEVENSON Ms Amanda (Bombala Rural Lands Protection Board)
<b>95</b>	JONES Mr Ross (NSROC)
<b>96</b>	PINNUCK Mr Steven (Council of the Shire of Culcairn)
<b>97</b>	DRISCOLL Mrs Lorraine (The Rock Recreation Ground Management Committee)
<b>98</b>	HERFORD Ms Patricia (Lockhart & District Trust Promotion Committee)
<b>99</b>	HERFORD Ms Patricia
<b>99(a)</b>	HERFORD Ms Patricia – <i>Supplementary submission</i>
<b>100</b>	BALDWIN Mr/Miss NJ (Merriwa Shire Council)
<b>101</b>	DWYER Mr Allen (Orange City Council)
<b>102</b>	COOPER Mr Wayne (NAG)

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<b>No</b>	<b>Author</b>
<b>103</b>	MCGRATH Mr Steve (Singleton Council)
<b>104</b>	CHETWYND Cr Brian (Armidale Dumaresq Council)
<b>105</b>	HALL Miss Tessa
<b>106</b>	BUCHANAN Mr & Mrs James & Susan
<b>107</b>	[Confidential]
<b>108</b>	MEARNS Mrs S
<b>109</b>	JONES Mr Glynn (Lockhart Shire Council)
<b>110</b>	BRADY Clr TJ (Lachlan Shire Council)
<b>111</b>	REIFF Ms Vera
<b>112</b>	CHAPMAN Mr Ken (Cabramatta Chamber of Commerce)
<b>113</b>	SCHNEIDER Mr Quentin
<b>114</b>	FITZPATRICK Ms Karen
<b>115</b>	DAVIS Mr Dallas (Manilla Branch ALP)
<b>116</b>	HOOPMANN Clr Sue (Hunters Hill Council)
<b>117</b>	PHILPOTT Mr David (Boorowa Council)
<b>118</b>	STEWART Mr & Mrs R & M
<b>119</b>	FOSTER Mr Erol
<b>120</b>	TASKER Ms Glenda
<b>121</b>	IRWIN Clr Ros (School of Social Sciences, Southern Cross University)
<b>122</b>	MILLER Mr David (Hands-Off-Hume Committee)
<b>123</b>	BROWN Mr Peter (Lane Cove Council)
<b>124</b>	GEWANDT Clr Elizabeth (Strathfield Council)
<b>125</b>	WILLIAMS Mrs Jill (NSW Farmers Bathurst Branch)
<b>126</b>	RAMSLAND Mr/Ms DH (Wellington Council)
<b>127</b>	GOODING Mr Alex (WSROC)
<b>128</b>	DREW Mr Devon
<b>129</b>	PERKINS Mr Rowan (Berrigan Shire Council)
<b>130</b>	WELLS Ms Carolyn (Burwood Community Voice Inc)
<b>131</b>	PIGG Mr RD (Shoalhaven City Council)
<b>132</b>	SMITH Mr Barry (Hunters Hill Council)
<b>133</b>	SMITH Mr Greg (Yass Shire Council)
<b>134</b>	KALTOUM Mr Tony (Cooma-Monaro Shire Council)
<b>135</b>	KAY Mr Glynn
<b>136</b>	TICKNER Mr/Ms G (Gundagai Shire Council)
<b>137</b>	RAWLINGS Mr David (Bombala Council)
<b>138</b>	SMITH Mr/Ms NJ

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<b>No</b>	<b>Author</b>
<b>139</b>	WILKINS Mrs Judy
<b>140</b>	CORCORAN Mr/Ms BJ (Corowa Shire Council)
<b>141</b>	BOLLINGER Mr & Mrs F & M
<b>142</b>	CHURCHILL Mr & Mrs Lance & Janette
<b>142(a)</b>	CHURCHILL Mr & Mrs Lance & Janette – <i>Supplementary submission</i>
<b>143</b>	WILKINSON Mr Brian (Richmond Valley Council)
<b>144</b>	O'REGAN Clr Bevan
<b>145</b>	WILLIAMS Mr/Ms BD
<b>146</b>	REYNOLDS Ms Moira
<b>147</b>	HUNT Mr John (Urana Shire Council)
<b>148</b>	WESTWOOD Clr Helen (Bankstown City Council)
<b>149</b>	MCLEAN Mr Greg (Australian Services Union)
<b>150</b>	BELL Mr John (Gunning Shire Council)
<b>151</b>	DUTTON Mr DN (Scone Shire Council)
<b>152</b>	HARDING Mr Stephen (Cabonne Council)
<b>153</b>	JUDD Clr N (Temora Shire Council)
<b>154</b>	MERCHANT Miss Cathy (RydeHunter's Hill Flora & Fauna Preservation Society)
<b>155</b>	GRIFFITHS Mr John (Murrurundi Shire Council)
<b>156</b>	PANKHURST Ms Wendy
<b>157</b>	CARLSON Mrs Patricia
<b>158</b>	JONES Mr Eric
<b>159</b>	LALICH Clr Nick (Fairfield City Council)
<b>160</b>	DORE Ms Janet (Newcastle City Council)
<b>161</b>	WILLIAMS Mr Arthur
<b>162</b>	[Confidential]
<b>162(a)</b>	[Confidential] – <i>Supplementary submission</i>
<b>163</b>	BECK Ms June
<b>164</b>	OSBORNE Clr Denise (Hume Shire Council)
<b>165</b>	LANGFORD Mr Robert (Severn Shire Council)
<b>166</b>	MAC LAREN Mr David (Bungendore Wood Works Gallery)
<b>167</b>	BRADLEY Clr Max (Berrigan Shire Council)
<b>168</b>	BEVELL Ms Dorothy
<b>169</b>	ANTCZAK Mr Stan (Holroyd City Council)
<b>170</b>	SMITH Mr/Miss M G
<b>171</b>	LLOYD Mrs Carol
<b>172</b>	SCOTT-MILLER Mr & Mrs Nigel & Jan

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<b>No</b>	<b>Author</b>
<b>173</b>	WAHLQUIST Mr Gilbert (The Hunters Hill senior Support Group)
<b>174</b>	WAHLQUIST Mr Gilbert (Bushland Regenerators)
<b>175</b>	BECK Ms June (Hunter's Hill Historical Society Inc.)
<b>176</b>	MURRAY Cr Dr Sara (Local Government Association of NSW)
<b>177</b>	TAYLOR Mr Graeme (Evans Shire Council)
<b>178</b>	PAYTON Mr & Mrs Max & Margaret
<b>179</b>	MACKEY Ms Christine (Lockhart & District Financial Services Ltd)
<b>180</b>	BOTTRALL Mr & Mrs G
<b>181</b>	HATTY Mr Rod
<b>182</b>	SHEATHER Mr Rex
<b>183</b>	MILNE Ms Bernadette
<b>184</b>	NORTON Mr & Mrs G
<b>185</b>	JENNINGS Ms Wendy
<b>186</b>	THOMPSON Mr & Mrs A J
<b>187</b>	ERVIN Mr Rex
<b>188</b>	SMITH Mrs Pearl
<b>189</b>	HARDINGE Mrs Marcia
<b>190</b>	GATTENHOF Mr Vince
<b>191</b>	BOLLER Sister Beatrice
<b>192</b>	GILLETT Mr Neville
<b>193</b>	FOX Mr & Mrs David & Cathy
<b>194</b>	WILLIAMSON Mr & Mrs P E
<b>195</b>	HOLDEN Mr & Mrs Barrie & Nola
<b>196</b>	PATTERSON Mrs Eliza
<b>197</b>	BLACK Mrs Noelene
<b>198</b>	THOMPSON Mr Bill
<b>199</b>	COX Mr Ray
<b>200</b>	WILD Mr Neville
<b>201</b>	BROOKS Mr Geoff (Guyra Shire Council)
<b>202</b>	BRYANT Mr Ross (Maclean Shire Council)
<b>203</b>	WONG Mr Henry (Manly Council)
<b>204</b>	DAVIS Ms Jan (Hunter Environment Lobby)
<b>205</b>	[Confidential]
<b>206</b>	LOW Cr Steve (Dungog Shire Council)
<b>207</b>	COOPER Mr Col (Lismore Council)
<b>208</b>	KNOWLES Ms Kath (Country Public Library Association of NSW)

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<b>No</b>	<b>Author</b>
<b>208 (a)</b>	KNOWLES Ms Kath (Country Public Library Association of NSW) – <i>Supplementary submission</i>
<b>209</b>	CARROLL Ms Monica (Hunters Hill Music)
<b>210</b>	O'HARE Mr Anthony
<b>211</b>	TAYLOR Mr Graham (Wollondilly Shire Council)
<b>212</b>	BRIGGS Ms Julie (REROC)
<b>213</b>	GILL Mr/Ms W S (Holbrook Shire Council)
<b>214</b>	SMITH Mr Ray (Grafton City Council)
<b>215</b>	FANNING Cr R E J
<b>216</b>	LYON Mr Phillip (Tamworth City Council)
<b>217</b>	HENRY Mr Paul (Inverell Shire Council)
<b>218</b>	EADE Mr Francis
<b>219</b>	KRELLE Mr
<b>220</b>	KIRBY Mrs Frances
<b>221</b>	BASCOMB Mr Peter (Tumbarumba Shire Council)
<b>222</b>	SCARLETT Mrs Lesley (IROC)
<b>223</b>	STARR Mr/Ms M
<b>224</b>	GOULD Cr Patricia (Albury City Council)
<b>225</b>	HOAD Cr Bill (Nundle Shire Council)
<b>226</b>	INGLIS Mr Glenn (Parry Shire Council)
<b>227</b>	ROSS Mr & Mrs Allan & Elizabeth

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## Appendix 2 Witnesses

<b>Date</b>	<b>Name</b>	<b>Position and Organisation</b>
<u>Parliament House, Sydney</u>		
23 October 2003	Cr Phyllis Miller	President, Shire Assoc. of NSW
	Mr David Hale	Acting Executive Director, LGSA
	Prof. Graham Sansom	Director, UTS Centre for Local Government
	Mr Greg McLean	Assistant National Secretary, Australian Services Union
	Mr Ken Morrison	Executive Director, NSW Policy, Property Council of Australia
	Mr Garry Payne	Director General, Dept of Local Government
	Mr Paul Chapman	Director, Legal Policy & Special Programs
	Mr Grahame Gibbs	Director, Performance Management & Compliance
	Mr Robert Bulford	Executive Officer, Reform Program
	Mr Angus Gordon	General Manager, Pittwater Council
<u>Orange Ex-Services Club, Orange</u>		
24 October 2003	Mr Michael Ryan	Director, Technical Services, Orange City Council
	Ms Christine Hannus	Director, Corporate Services, Orange City Council
	Clr Morris Simpson	Mayor, Weddin Shire Council
	Mr Glenn Carroll	Director, Corporate Services, Weddin Shire Council
	Ms Kath Knowles	Deputy Mayor, Bathurst City Council
	Mr Phillip Perram	General Manager, Bathurst City Council
	Clr John Byrne	Mayor, Evans Shire Council
	Mr Graeme Taylor	General Manager, Evans Shire Council
	Clr John Knowles	Mayor, Wellington Council
	Mr Steven Wall	Director, Corporate Services, Wellington Council
	Clr John David	Major, Balyney Shire Council
	Clr Ted Wilson	Deputy Mayor, Blayney Shire Council
	Cl John Farr	Mayor, Cabonne Shire Council
	Mr Stephen Harding	Acting General Manager, Cabonne Shire Council
	Mr Doug Woodhouse	Project Officer, United Services Union
	Mr Ted Ellery	Organiser, United Services Union
	Mrs Marge Bollinger	Representative, Manildra Rural Councils Support Group & Cumnock and District Progress Association
	Mr Peter Crich	Chairman, Cabonne Rural Ratepayers Support Group
	Mr Brian Dellow	Representative, No Forced Amalgamation Group

<b>Date</b>	<b>Name</b>	<b>Position and Organisation</b>
<u>Parliament House, Sydney</u>		
27 October 2003	Cr Fred Harvison	Mayor, Singleton Council
	Mr Steve McGrath	General Manager, Singleton Council
	Mr Alex Gooding	Executive Director, WSROC
	Mr Danny Mackin	Senior Vice President, WSROC
	Prof. Kevin Sproats	Director, Office of Regional Development, UNWS
	Clr Bruce Lucas	Mayor, Hunter's Hill Council
	Mr Barry Smith	General Manager, Hunter's Hill Council
	Mr Ross Williams	Co-convenor, Save Hunter's Hill Municipality Coalition
	Mr Phil Jenkyn	Co-convenor, Save Hunter's Hill Municipality Coalition
	Mr John Mant	Lawyer and Town Planner
	Mr John Waghorn	Executive Manager of Organisational Performance, Newcastle City Council
	Clr Ros Irwin	Lecturer, School of Social Sciences, Southern Cross University, Lismore
<u>West Diggers Club, Tamworth</u>		
04 November 2003	Clr James Treloar	Mayor, Tamworth City Council
	Mr Phillip Lyon	General Manager, Tamworth City Council
	Mr Stephen Bartlett	Director, Corporate Services, Tamworth City Council
	Clr Dr Sara Murray	President, Local Government Association of NSW
	Clr Peter Reynolds	Executive Member
	Clr Bill Hoad	Mayor, Nundle Shire Council
	Clr Robert Schofield	Deputy Mayor, Nundle Shire Council
	Mr Rich Morris	General Manager, Nundle Shire Council
	Clr Phill Betts	Mayor, Parry Shire Council
	Mr Glenn Inglis	General Manager, Parry Shire Council
	Clr Brian Chetwynd	Mayor, Armidale Dumaresq Council
	Mr Shane Burns	General Manager, Armidale Dumaresq Council
	Clr Ean Cottle	Mayor, Merriwa Shire Council
	Mr Neil Baldwin	General Manager, Merriwa Shire Council
	Clr Gae Swain	Mayor, Gunnedah Shire Council
	Mr Max Kershaw	General Manager, Gunnedah Shire Council
	Mr Neville Moxon	Chairman, Save the Murrurundi Shire Action Group
	Mr David Boag	Save the Murrurundi Shire Action Group
	Mr Ian Hynd	Save the Murrurundi Shire Action Group
	Mr Peter Dutton	Future for Manilla Action Group
	Clr Earl Kelaher	Mayor, Murrurundi Shire Council
	Clr Shauna Biffin	Deputy Mayor, Murrurundi Shire Council
	Mr John Griffiths	General Manager, Murrurundi Shire Council

<b>Date</b>	<b>Name</b>	<b>Position and Organisation</b>
<u>Wagga RSL Club, Wagga Wagga</u>		
05 November 2003	Clr Paul Braybrooks	Chairperson, Riverina Eastern ROC
	Ms Julie Briggs	Executive Officer, Riverina Eastern ROC
	Mr Brian Pearson	General Manager, Wagga Wagga City Council
	Clr Colin Wiese	Mayor, Lockhart Shire Council
	Mr Glynn Jones	General Manager, Lockhart Shire Council
	Clr Denise Osborne	Mayor, Hume Shire Council
	Mr Peter Veneris	General Manager, Hume Shire Council
	Clr Patricia Gould	Mayor, Albury City Council
	Mr Mark Henderson	General Manager, Albury City Council
	Clr Terence Bransdon	Mayor, Yarrawlumla Shire Council
	Mr Robert Morgan	General Manager, Yarrawlumla Shire Council
	Clr Ellis Lindner	Mayor, Culcairn Shire Council
	Mr Steven Pinnuck	General Manager, Culcairn Shire Council
	Clr Lola Cummins	Mayor Junee Shire Council
	Ms Shirley Fry	Citizens Committee of Culcairn Shire
	Mr Bernie Thomas	Citizens Committee of Culcairn Shire
	Mr David Miller	Hands off Hume Committee
	Mr Darren Baldwin	Hands off Hume Committee
<u>Parliament House, Sydney</u>		
14 November 2003	Mr Garry Payne	Director General, Department of Local Government
	Prof. David Brunckhorst	Director, Institute for Rural Futures
	Clr Barry Johnston	Mayor, Inverell Shire Council
	Mr Paul Henry	General Manager, Inverell Shire Council

## Appendix 3 Tabled documents

<b>24 October 2003</b>	<ul style="list-style-type: none"> <li>• Mr Ryan tendered a document titled Statement by Orange City Council to NSW Upper House Committee Inquiry into Local Government Amalgamations.</li> <li>• Councillor Simpson from Weddin Shire Council tendered a document titled: Presentation to General Purpose Standing Committee No. 5.</li> <li>• Councillor Knowles from Bathurst City Council tendered a document titled: Submission to Legislative Council's General Purpose Standing Committee No. 5: Inquiry Into Local Government Amalgamations.</li> <li>• Councillor Davis tendered a copy of Blayney Shire Council's Submission to the Hon Tony Kelly, MLC Minister for Local Government: Structural Reform in Local Government 27 August 2003.</li> <li>• Councillor Farr tendered an excerpt titled: Outcomes from the first Board Meeting of the Strategic Alliance Wellington Blayney Cabonne Meeting – list of issues discussed to date; from a document titled: General Manager's report for determination submitted to the ordinary meeting of Cabonne Shire Council held on Monday 20 October 2003.</li> <li>• Mr Crich tendered the following documents: <ul style="list-style-type: none"> <li>• Submission by the Cabonne Rural Ratepayers (C Ward) Support Group.</li> <li>• Excerpt from document titled: Council of the City of Orange: Statement of Financial Position for the year ended 30 June 2002.</li> <li>• A copy of document titled: Auditor's Report On the Conduct of the Audit of Orange City Council: Alan Morse &amp; Co Chartered Accountants, 24 October 2002.</li> </ul> </li> </ul>
<b>27 October 2003</b>	<ul style="list-style-type: none"> <li>• Mr Jenkyn tendered a number of previously published documents, including: <ul style="list-style-type: none"> <li>• Save Hunters Hill Municipality Coalition (video)</li> <li>• The Vision and the Struggle, An Account of the Hunters' Hill Trust's First Twenty Years (1989)</li> <li>• Hunters Hill Community Petition, October 2003,</li> <li>• Heritage Of Hunters Hill, 2002</li> <li>• Letter to the chief Executive Officer of Ryde City Council asking it to withdraw the proposal dated 16 October 2003.</li> <li>• Press release of the Minister dated 24 October 2003.</li> <li>• Press release of the Save Hunters Hill Municipality Coalition dated 24 October 2003.</li> </ul> </li> <li>• Mr Barry Smith tendered his presentation to the committee dated 27 October 2003</li> </ul>
<b>4 November 2003</b>	<ul style="list-style-type: none"> <li>• Cr Reynolds tendered a map showing the residential, business and farmland rates for Manilla Shire Council, Tamworth City Council, Parry Shire Council and Nundle Shire Council; and a comparative table of NSW Council Rate Bases – Residential dated 15 July 2003.</li> <li>• Mr Kershaw tendered a copy of a covering letter and submission to the Minister for Local Government on a catchment-based model approach for structural reform.</li> <li>• Mr Boag tendered a list of concerns of Murrurundi Shire Council workers with respect to the effects of a proposed boundary adjustment with Quirindi Shire Council.</li> <li>• Mr Dutton tendered a document titled: A submission that Manilla and Barraba Shire Councils Amalgamate.</li> </ul>
<b>5 November 2003</b>	<ul style="list-style-type: none"> <li>• Councillor Bransdon tendered a document titled: List of Submissions and Proposals prepared by Yarrowlunla Shire Council in response to structural reform in the region. The document contained copies of seven submissions made to the Boundaries Commission and one proposal to the Minister for Local Government.</li> </ul>
<b>14 November 2003</b>	<ul style="list-style-type: none"> <li>• Mr Garry Payne, Director General, Department of Local Government, tendered answers to questions taken on notice during the public hearing on 23 October 2003.</li> <li>• Professor David Brunckhorst tendered a summary of his slide presentation.</li> </ul>

## Appendix 4 Minutes of proceedings

### Minutes No 2

Monday, 1 September 2003

At Parliament House at 7.45pm, Jubilee Room

#### 1. Members Present

Mr Ian Cohen (Chair)  
Mr Ian West (Deputy Chair)  
Ms Amanda Fazio (Tsang)  
Ms Kayee Griffin  
Ms Sylvia Hale  
Mr Charlie Lynn  
Ms Melinda Pavey (Colless)

#### 2. Substitute arrangements

The Chair advised that Ms Fazio would be representing Mr Tsang and Ms Pavey would be representing Mr Colless.

#### 3. Correspondence

The Chair tabled the following items of correspondence:

##### **Received**

- Letter from the Government Whip advising the Committee of Government substitutions for Estimates hearings.
- Letter from the Opposition Whip advising the Committee of Opposition substitutions for Estimates hearings.
- Letter from Hon Melinda Pavey MLC requesting the attendance of the Head of Finance, Department of Local Government, Head of Finance, NSW Fire Brigades, Head of Finance, Rural Fire Service and Head of Finance, State Emergency Service for the Budget Estimates hearing examining the portfolio areas of Local Government and Emergency Services on Monday, 1 September 2003.
- Letter from the Hon Greg Pearce MLC requesting the attendance of the Head of Finance, Environment Protection Authority for the Budget Estimates hearing examining the portfolio areas of the Environment on Tuesday 2 September 2003.
- Letter from the Hon Duncan Gay MLC requesting the attendance of the Head of Finance, Department of Agriculture and Fisheries for the Budget Estimates hearing examining the portfolio areas of Agriculture and Fisheries on Wednesday 3 September 2003.
- Letter from the Hon Greg Pearce MLC requesting the attendance of the Head of Finance, Department of Mineral Resources for the Budget Estimates hearing examining the portfolio areas of the Mineral Resources on Thursday 4 September 2003.
- Letter from the Minister for Agriculture and Fisheries requesting that the Committee consider questions covering the Fisheries portfolio in the first half of the hearing and the Agriculture portfolio in the second half of the hearing on Wednesday 3 September 2003.

#### 4. Budget Estimates 2003-2004

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## 5. Local Government Amalgamation Inquiry

The Chair tabled correspondence from Mr Colless dated 1 September 2003 regarding suggested amendments to the terms of reference, which had previously been circulated.

The Committee deliberated.

Resolved, on the motion of Ms Hale that the Committee amend the Terms of Reference adopted at the meeting on 25 August 2003, by adding a further point after terms of reference suggested by Mr Colless, as the new point 3, the words :

The local community's expectations of service provision by local government

Resolved, on the motion of Mr West, that the former point 4 be deleted and replaced with the words:

The optimum organisational structure to efficiently deliver better local government

Resolved, on the motion of Ms Hale, that the final Terms of Reference be as follows:

*That General Purpose Standing Committee No. 5 inquire into and report on the social, political and economic impact of amalgamations on local government in NSW, and in particular:*

1. *The adequacy of current funding arrangements for local government,*
2. *The effect of unfunded mandates on councils,*
3. *The local community's expectations of service provision by local government,*
4. *The optimum organisational structure to efficiently deliver better local government,*
5. *The criteria by which amalgamations, boundary changes or major reorganisation of council areas should be decided,*
6. *The methods by which any such changes should be implemented,*
7. *The role that state government should play in any changes,*
8. *The views of residents and ratepayers on amalgamation,*
9. *The financial implications of amalgamations for financial assistance grants,*
10. *Any other relevant issues.*

Resolved on the motion of Ms Fazio that the closing date for submissions be set at Friday, 10 October 2003, but that the secretariat be authorised to grant extensions on request.

Resolved on the motion of Ms Fazio that the secretariat be authorised to place advertisements calling for submissions in the Saturday edition of the Sydney Morning Herald, a week day edition of the Daily Telegraph, and edition of The Land and each regional newspaper in New South Wales, including the Newcastle Herald and the Illawarra Mercury; and that the secretariat arrange for a notice to be placed in the weekly bulletin of the Local Councils and Shires Associations newsletter advertising the inquiry and the closing date for submissions.

Resolved on the motion of Ms Fazio that the Chair write to the Minister for Local Government, the Local Councils and Shires Associations (and through them to each council), the centres for local government research at the University of New England, University of Technology and Macquarie University, the Municipal Employees Union, the Australian Services Union, the Libraries Association, NCOSS, the Country Women's Association, Professor Sproats and Dr John Mant.

Resolved on the motion of Ms Fazio that the Committee undertake one 2 day trip on Tuesday, 4 and Wednesday 5 November 2003 and a single day trip on Friday 24 October 2003 to hold regional hearings, with an itinerary to be brought back to the committee by the Chair.

Resolved on the motion of Ms Fazio that the Committee hold two hearings at Parliament on Thursday 23 October and Monday 27 October 2003 and reserve a third day Friday 14 November 2003 if further evidence is required.

Resolved on the motion of Ms Fazio that the reporting date for the inquiry be on Monday, 8 December 2003, subject to the secretariat presenting a timetable to the Committee for further consideration.

**6. Adjournment**

The Committee adjourned at 10.45pm until 7.55pm on Tuesday, 2 September 2003, Legislative Council Chamber.

Julie Langsworth

**Clerk to the Committee**

**Minutes No 7**

18 September 2003

Room 1153, Parliament House, at 1.05pm

**1. Members present**

Mr Ian Cohen (Chair)

Mr Rick Colless

Ms Kayee Griffin

Ms Sylvia Hale

Mr Charlie Lynn

Mr Henry Tsang

Mr Ian West

**2. Confirmation of minutes**

The Committee resolved, on the motion of Mr West, to confirm the minutes of meetings No 1 and No 2.

**3. Correspondence**

The Chair tabled the following items of correspondence relating to the Local Government Amalgamations Inquiry:

***Sent***

- Letter from the Chair dated 12 September 2003 to the Minister for Local Government advising the Minister of the Committee's decision to conduct the inquiry and inviting the Minister and his Department to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to the President, Local Councils Association advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to the President, Shires Association advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to the Minister for Regional Development, Small Business and Minister for the Illawarra advising of the Committee's decision to conduct the inquiry and inviting the Minister's Department to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to Professor D Brunkhorst advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to Professor Kevin Sproats advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to the Assistant National Secretary, Australian Services Union advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to the Adjunct Professor John Mant advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to the General Secretary, Municipal & Shire Employees Union of NSW advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.

- Letter from the Chair dated 12 September 2003 to the President, Council of Social Service of NSW advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to Secretary, Country Public Libraries Association advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to the Secretary, Metropolitan Libraries Association advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to the General Secretary, Country Women's Association advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.
- Letter from the Chair dated 12 September 2003 to Ms R Irwin, Southern Cross University advising of the Committee's decision to conduct the inquiry and inviting the recipient to make a submission to the inquiry.

The Committee resolved, on the motion of Ms Griffin, to write to the individual regional organisations of councils inviting them to make submissions to the inquiry.

#### **4. Local Government Amalgamations Inquiry – Regional Hearings**

The Committee considered a briefing document prepared by the secretariat on regional hearings to be held on 24 October and 4&5 November 2003.

##### ***Location of 24 October regional public hearing***

The Committee resolved, on the motion of Mr Lynn, to hold a public hearing in Orange on the 24 October 2003.

##### ***Location of 4 and 5 November regional public hearings***

The Committee resolved, on the motion of Ms Hale, to undertake a two-day regional trip during which it would hold a public hearing in Tamworth on 4 November and a public hearing in Wagga Wagga on 5 November.

##### ***Venues for conduct of regional public hearings***

The Committee resolved, on the motion of Mr Colless, that in recognition of local sentiment that may exist that the Committee would not hold regional public hearings in local Council Chambers but would seek to hold the hearings in available, appropriate community or commercial premises.

##### ***Use of charter aircraft***

The Committee resolved, on the motion of Ms Hale, to authorise the cost of the use of a chartered aircraft for the Committee travel on 4 and 5 November 2003.

#### **5. 2003-2004 Budget Estimates Inquiry - Deliberative meeting**

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#### **6. Adjournment**

The committee adjourned at 1.40pm until 9.45am, Thursday 23 October 2003, Jubilee Room (public hearing).

John Young  
**Clerk to the Committee**

**Minutes No 8**

23 October 2003

Jubilee Room, Parliament House, at 9:20 am

**1. Members present**

Mr Ian Cohen (Chair)  
 Mr Rick Colless  
 Ms Kayee Griffin  
 Ms Sylvia Hale  
 Mr Charlie Lynn  
 Mr Ian West

**2. Apologies**

Mr Henry Tsang

**3. Confirmation of minutes**

The Committee resolved, on the motion of Mr Colless, to confirm the minutes of meetings No 7.

**4. Correspondence**

The Chair tabled the following items of correspondence relating to the Local Government Amalgamations Inquiry:

***Sent***

- Letter from the Chair dated 16 September 2003 to Ms Alannah Bell, Director, Community Child Care Co-operative Ltd advising of the Committee's decision to conduct the inquiry and inviting a submission to the inquiry.
- Letter from the Chair dated 16 September 2003 to Ms Judy Kynaston, Executive Director of the Country Children's Services Association advising of the Committee's decision to conduct the inquiry and inviting a submission to the inquiry.
- Letter from the Chair dated 19 September 2003 advising of the Committee's decision to conduct the inquiry and inviting a submission to the inquiry to the following:
  - Mr Alex Gooding, Executive Director, WSROC
  - Mr Geoff Wilthcombe, Secretary, SCCG
  - Mr Peter Wilson, Hon Secretary, CCROC
  - Mr Alan McCormack, General Manager, Parkes Shire Council
  - Dr Barbara Penson, Chief Executive Officer, HROC
  - Mrs Lesley Scott, Executive Research Officer, IROC
  - Mr Graham Foster, Secretary IMROC
  - Ms Denise McGrath, Executive Officer, MACROC
  - Ms Chris Balaam, Executive Officer, MUROC
  - Mr Stephen Bartlett, Secretary, NamoiROC
  - Mr Shane Burns, Secretary, NELG
  - Clr Robert Dwyer, Secretary, NAROC
  - Mr Brian Martin, Executive Director, NOROC
  - Mr Ross Jones, Executive Director, NSROC
  - Mr Ashley Wellinga, Secretary, OROC
  - Ms Julie Briggs, Executive Officer, REROC
  - Mr Andrew Crakanthorp, Secretary RIVROC

- Mr Duncan Gilchrist, Secretary, SHOROC
- Mr Trevor Drowley, Executive Officer, SEROC
- Ms Melissa Gibbs, Executive Officer, SSROC
- Letter from Chair dated 24 September 2003 to Minister for Local Government, the Hon Tony Kelly MLC advising of the invitation issued to the Director General of his Department and the Chair of the Boundaries Commission to appear at hearings.
- Letter from Chair dated 24 September 2003 to Mr Garry Payne, Director General of the Department of Local Government, requesting his attendance as a witness at one of the Committee's public hearings
- Letter from Chair dated 24 September 2003 to Ms Edith Hall, Chair of the Boundaries Commission, requesting her attendance as a witness at one of the Committee's public hearings to appear at hearings.
- Letter from Director dated 21 October 2003 to Mr Neil Watt, General Manager, Cooma-Monaro Shire Council, informing the Council of standing order 224 regarding unauthorised disclosure of submissions.

### ***Received***

- Letter from Hon Tony Kelly MLC, Minister for Local Government, dated 23 September, advising that the Department would not be making a submission to the Inquiry.
- Letter from Ms Edith Hall, Chair of the Boundaries Commission, dated 15 October 2003, advising of her unavailability to appear at any hearing at the times scheduled because of absence interstate.
- Letter from Mr Stan Antczak, Acting General Manager, Holroyd City Council, dated 15 October 2003, advising that the Council would not be making a submission.
- Letters from Mr Daryl Maguire MP dated 29 September, 10 October, and 13 October 2003 enclosing submissions from residents regarding the inquiry.
- Letter from Mr William Taylor dated 21 October 2003 requesting that his submission be made confidential.

## **5. Local Government Amalgamations Inquiry**

The Committee agreed to consider at its deliberative on Monday whether to use the reserve hearing day set aside for 14 November.

### ***Publication of Submissions***

The Committee Director tabled a list of submissions received since the initial submissions were distributed to the Committee.

The Committee resolved, on the motion of Mr Lynn, to publish all submissions received to date except for numbers 4, 18, 24, 107 and 205, for which confidentiality had been requested.

### ***Conduct of Hearing***

The Chair made a statement to the Committee regarding the approach he wished to adopt during the hearing regarding the matter raised in the Legislative Assembly by the Member for Burrinjuck regarding Mr Bulford.

### ***Unauthorised Disclosure***

The Committee Director explained to the Committee the nature of the disclosure of a submission by the author of that submission and the action taken. The Committee agreed that no future action was required.

**Public Hearing**

The public, the media and witnesses were admitted

The Chair made an opening statement drawing attention to the broadcasting guidelines and other matters.

Cr Phyllis Miller, President, Shires Association of NSW and Mr David Hale, Acting Executive Director, Local Government and Shires Association were sworn and examined.

Evidence concluded and the witnesses withdrew

Prof. Graham Sansom, Director, UTS Centre for Local Government was sworn and examined.

Evidence concluded and the witness withdrew

Mr Greg McLean, Assistant National Secretary, Australian Services Union was sworn and examined.

Evidence concluded and the witness withdrew

Mr Ken Morrison, Executive Director – NSW Policy, Property Council of Australia was sworn and examined.

Evidence concluded and the witness withdrew

The Chair made a statement to the Committee regarding the approach he wished to adopt during the hearing regarding the matter raised in the Legislative Assembly by the Member for Burrinjuck regarding Mr Bulford.

Mr Garry Payne, Director General, Mr Paul Chapman, Director, Legal Policy & Special Programs, Mr Grahame Gibbs, Director, Performance Management & Compliance and Mr Robert Bulford, Executive Officer, Reform Program, Department of Local Government were sworn and examined.

Evidence concluded and the witnesses withdrew.

Mr Angus Gordon, General Manager, Pittwater Council was sworn and examined.

Evidence concluded and the witness withdrew

**6. Adjournment**

The committee adjourned at 4:04pm until 9.30am, Friday 24 October 2003, Orange Ex-Serviceman's Club (public hearing).

Beverly Duffy

**Clerk to the Committee**

## **Minutes No 9**

24 October 2003

Coral Sea Room, Orange Ex-Service Club, Orange, at 9:38 am

### **1. Members present**

Mr Ian Cohen (Chair)

Mr Rick Colless

Ms Kayee Griffin

Ms Sylvia Hale

Mr Charlie Lynn

Mr Ian West

### **2. Apologies**

Mr Henry Tsang

### **3. Local Government Amalgamations Inquiry**

#### ***Public Hearing***

The public, the media and witnesses were admitted

The Chair made an opening statement drawing attention to the broadcasting guidelines, audience cooperation and other matters.

Mr Michael Ryan, Director, Technical Services and Ms Christine Hannus, Director, Corporate Services, Orange City Council were sworn and examined.

Mr Ryan tendered a document titled Statement by Orange City Council to NSW Upper House Committee Inquiry into Local Government Amalgamations.

Resolved, on the motion of Mr Colless, that the document be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

Councillor Morris Simpson, Mayor and Mr Glenn Carroll, Director Corporate Services, Weddin Shire Council were sworn and examined.

Councillor Simpson tendered a document titled: Presentation to General Purpose Standing Committee No. 5 on 24 October 2003.

Resolved, on the motion of Mr Lynn, that the document be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

Councillor Kath Knowles, Deputy Mayor and Mr Phillip Perram, General Manager, Bathurst City Council were sworn and examined.

Councillor Knowles tendered a document titled: Submission to Legislative Council's General Purpose Standing Committee No. 5: Inquiry Into Local Government Amalgamations: 10.30am Friday 24 October 2003 Orange.

Resolved, on the motion of Mr Colless, that the document be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

Councillor John Byrne, Mayor and Mr Graeme Taylor, General Manager, Evans Shire Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Councillor John Knowles, Mayor and Mr Steven Wall, Director Corporate Services, Wellington Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Councillor John Davis, Mayor and Councillor Ted Wilson, Deputy Mayor, Blayney Shire Council were sworn and examined.

Councillor Davis tendered a copy of Blayney Shire Council's Submission to the Hon Tony Kelly, MLC Minister for Local Government: Structural Reform in Local Government 27 August 2003.

Resolved, on the motion of Mr West, that the document be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

Councillor John Farr, Mayor and Mr Stephen Harding, A/General Manager, Cabonne Shire Council were sworn and examined.

Councillor Farr tendered an excerpt titled: Outcomes from the first Board Meeting of the Strategic Alliance Wellington Blayney Cabonne Meeting – list of issues discussed to date; from a document titled: General Manager's report for determination submitted to the ordinary meeting of Cabonne Shire Council held on Monday 20 October 2003.

Resolved, on the motion of Mr Lynn, that the document be accepted by the Committee.

Mr Doug Woodhouse, Project Officer and Mr Ted Ellery, Organiser, United Services Union were sworn and examined.

Evidence concluded and the witnesses withdrew.

Mrs Marge Bollinger, representative of Manildra Rural Councils Support Group and Cumnock and District Progress Association; Mr Peter Crich, Chairman Cabonne Rural Ratepayers Support Group; Mr Brian Dellow, representative and Mr Keith Sullivan, President No Forced Amalgamation Group were sworn and examined.

Mr Crich tendered the following documents:

- Submission by the Cabonne Rural Ratepayers (C Ward) Support Group.
- Excerpt from document titled: Council of the City of Orange: Statement of Financial Position for the year ended 30 June 2002.

- A copy of document titled: Auditor's Report On the Conduct of the Audit of Orange City Council: Alan Morse & Co Chartered Accountants, 24 October 2002.

Resolved, on the motion of Mr Colless, that the documents be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

**4. Adjournment**

The committee adjourned at 3:55pm until 9.30am, Friday 24 October 2003, Jubilee Room, Parliament House (public hearing).

John Young

**Clerk to the Committee**

**Minutes No 10**

27 October 2003

Jubilee Room, Parliament House, at 9:30 am

**1. Members present**

Mr Ian Cohen (Chair)

Mr Rick Colless

Ms Kayee Griffin

Ms Sylvia Hale

Mr Charlie Lynn

Mr Ian West

Mr Henry Tsang

**2. Local Government Amalgamations Inquiry*****Public Hearing***

The public, the media and witnesses were admitted

The Chair made an opening statement drawing attention to the broadcasting guidelines and other matters.

Cr Fred Harvison, Mayor and Mr Steve McGrath, General Manager, Singleton Council were sworn and admitted.

Evidence concluded and the witnesses withdrew.

Mr Alex Gooding, Executive Director and Mr Danny Mackin, Senior Vice President, WSROC were sworn and admitted

Evidence concluded and the witnesses withdrew.

Professor Kevin Sproats, Director, Office of Regional Development, University of Western Sydney was sworn and admitted.

Evidence concluded and the witness withdrew.

Cr Bruce Lucas, Mayor and Mr Barry Smith, General Manager, Hunter's Hill Council were sworn and admitted.

Mr Smith tendered a copy of his presentation to the Committee.

Resolved on the motion of Mr Colless that the document be accepted.

Evidence concluded and the witnesses withdrew.

Mr Ross Williams, Co-covenor and Mr Phil Jenkyn, Co-covenor, Save Hunter's Hill Municipality Coalition were sworn and admitted.

Mr Jenkyn tendered a number of previously published documents, including:

Save Hunters Hill Municipality Coalition (video); The Vision and the Struggle, An Account of the Hunters' Hill Trust's First Twenty Years (1989); Hunters Hill Community Petition, October 2003, Heritage Of Hunters Hill, 2002; Letter to the Chief Executive Officer of Ryde City Council asking it to withdraw the proposal, dated 16 October 2003; Press release of the Minister dated 24 October 2003; Press release of the Save Hunters Hill Municipality Coalition dated 24 October 2003.

Resolved, on the motion of Mr Lynn, that the documents be accepted by the committee.

Evidence concluded and the witnesses withdrew.

Mr John Mant, Lawyer and Town Planner was sworn and admitted.

Evidence concluded and the witness withdrew.

Mr John Waghorn, Executive Manager of Organisational Performance, Newcastle City Council was sworn and admitted.

Evidence concluded and the witness withdrew.

Cr Ros Irwin, Lecturer, School of Social Sciences, Southern Cross University, Lismore was sworn and admitted.

Evidence concluded and the witness withdrew.

### ***Deliberative***

Resolved on the motion of Mr Lynn that the Committee use the reserve hearing date set aside for 14 November 2003 to hold a public hearing between 9.30am and 1.00pm.

Resolved on the motion of Mr Colless that representatives of the Department of Local Government be invited to reappear before the Committee on 14 November 2003.

Resolved on the motion of Mr Lynn that Professor Brunkhorst from the Institute of Rural Futures, UNE be invited to appear before the Committee.

Resolved on the motion of Mr West that questions prepared by the secretariat for use by the Chair during hearings be distributed to Committee members for all future inquiries held by GPSC5.

### **3. Budget Estimates**

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### **4. Adjournment**

The committee adjourned at 5.00pm until 9.30am, Tuesday 4 November 2003, Tamworth West Diggers Club (public hearing).

Beverly Duffy  
**Clerk to the Committee**

## **Minutes No 11**

4 November 2003

Auditorium, West Diggers Club, Tamworth, at 9:50 am

### **1. Members present**

Mr Ian Cohen (Chair)

Mr Rick Colless

Ms Kayee Griffin

Ms Sylvia Hale

Mr Charlie Lynn

Mr Henry Tsang

Mr Ian West

### **2. Local Government Amalgamations Inquiry**

#### ***Public Hearing***

The public, the media and witnesses were admitted.

The Chair made an opening statement drawing attention to the broadcasting guidelines, audience cooperation and other matters.

Councillor James Treloar, Mayor, Mr Philip Lyon, General Manager, and Mr Stephen Bartlett, Director Community & Corporate Services, Tamworth City Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Councillor Doctor Sara Murray, President, and Councillor Peter Reynolds, Executive Member, Local Government Association of New South Wales were sworn and examined.

Cr Reynolds tendered a map showing the residential, business and farmland rates for Manilla Shire Council, Tamworth City Council, Parry Shire Council and Nundle Shire Council; and a comparative table of NSW Council Rate Bases – Residential dated 15 July 2003.

Resolved, on the motion of Mr Lynn, that the documents be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

Councillor Bill Hoad, Mayor, Councillor Robert Schofield, Deputy Mayor, and Mr Rick Morris, General Manager, Nundle Shire Council were sworn and examined.

Cr Hoad presented to the Committee Nundle Shire Council's formal submission to the Inquiry.

Evidence concluded and the witnesses withdrew.

Councillor Phil Betts, Mayor, and Mr Glenn Inglis, General Manager, Parry Shire Council were sworn and examined.

Mr Inglis presented to the Committee Parry Shire Council's formal submission to the Inquiry.

Evidence concluded and the witnesses withdrew.

Councillor Brian Chetwynd, Mayor, and Mr Shane Burns, General Manger, Armidale Dumaresq Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Councillor Ean Cottle, Mayor, and Mr Neil Baldwin, General Manager, Merriwa Shire Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Councillor Gae Swain, Mayor, and Mr Max Kershaw, General Manager, Gunnedah Shire Council were sworn and examined.

Mr Kershaw tendered a copy of a covering letter and submission to the Minister for Local Government on a catchment-based model approach for structural reform.

Resolved, on the motion of Ms Hale, that the document be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

Mr Neville Moxon, Chairman, Mr David Boag and Mr Brian Hunt, representatives of the Save the Murrurundi Shire Action Group; and Mr Peter Dutton, representative of the Future for Manilla Action Group were sworn and examined.

Mr Boag tendered a list of concerns of Murrurundi Shire Council workers with respect to the effects of a proposed boundary adjustment with Quirindi Shire Council.

Resolved, on the motion of Mr Colless, that the document be accepted by the Committee.

Mr Dutton tendered a document titled: A submission that Manilla and Baraba Shire Councils Amalgamate.

Resolved, on the motion of Mr Tsang, that the document be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

Councillor Earl Kelaher, Mayor, Councillor Shauna Biffin, Deputy Mayor, and Mr John Griffiths, General Manager, Murrurundi Shire Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

### **3. Adjournment**

The committee adjourned at 4:30pm until 9.30am, Wednesday 5 November, Mirage Room, Wagga RSL Club (public hearing).

John Young  
**Clerk to the Committee**

## **Minutes No 12**

5 November 2003

Mirage Room, Wagga RSL Club, Wagga Wagga, at 9:30 am

### **1. Members present**

Mr Ian Cohen (Chair)

Mr Rick Colless

Ms Kayee Griffin

Ms Sylvia Hale

Mr Henry Tsang

Mr Ian West

### **2. Apologies**

Mr Charlie Lynn

### **3. Local Government Amalgamations Inquiry**

#### ***Public Hearing***

The public, the media and witnesses were admitted.

The Chair made an opening statement drawing attention to the broadcasting guidelines, audience cooperation and other matters.

Councillor Paul Braybrooks, Chairperson, and Ms Julie Briggs, Executive Officer, Riverina Eastern Regional Organisation of Councils were sworn and examined.

Evidence concluded and the witnesses withdrew.

Mr Brian Pearson, A/General Manager, Wagga Wagga City Council was sworn and examined.

Evidence concluded and the witness withdrew.

Councillor Colin Wiese, Mayor, and Mr Glynn Jones, General Manager, Lockhart Shire Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Councillor Denise Osborne, Mayor, and Mr Peter Veneris, General Manager, Hume Shire Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Councillor Patricia Gould, Mayor, and Mr Mark Henderson, General Manager, Albury City Council were sworn and examined.

Mr Henderson presented to the Committee Albury City Council's formal submission to the Inquiry.

Evidence concluded and the witnesses withdrew.

Councillor Terrence Branson, Mayor, and Mr Robert Morgan, General Manager, Yarrowlumla Shire Council were sworn and examined.

Councillor Branson tendered a document titled: List of Submissions and Proposals prepared by Yarrowlumla Shire Council in response to structural reform in the region. The document contained copies of seven submissions made to the Boundaries Commission and one proposal to the Minister for Local Government.

Resolved, on the motion of Mr Colless, that the document be accepted by the Committee.

Evidence concluded and the witnesses withdrew.

Councillor Ellis Lindner, Mayor, and Mr Steven Pinnuck, General Manager, Culcairn Shire Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Councillor Lola Cummins, Mayor Junee Shire Council was sworn and examined.

Evidence concluded and the witness withdrew.

Ms Shirley Fry and Mr Bernie Thomas, representatives of the Citizens of Culcairn Shire; and Mr David Miller and Mr Darren Baldwin, representatives of the Hands off Hume Committee were sworn and examined.

Evidence concluded and the witnesses withdrew.

#### **4. Adjournment**

The committee adjourned at 3:30pm until 9.00am, Friday 14 November, Room 1108, Parliament House.

John Young  
**Clerk to the Committee**

**Minutes No 13**

14 November 2003

Room 1108, Parliament House, at 9:00 am

**1. Members present**

Mr Ian Cohen (Chair)

Mr Rick Colless (after item 4)

Ms Kayee Griffin

Ms Sylvia Hale

Mr Ian West

Mr Charlie Lynn (after item 4)

**2. Apologies**

Mr Henry Tsang

Mr Rick Colless (for items 3-4)

**3. Confirmation of Minutes**

Resolved, on the motion of Ms Hale, that minutes of meetings numbers 8,9, 10, 11 and 12 be confirmed.

**4. Budget Estimates 2003-2004**

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**5. Local Government Amalgamations Inquiry*****Reporting Date***

Resolved, on the motion of Ms Griffin, that the Committee adopt a new reporting date of 16 December for the Committee's report.

Resolved, on the motion of Ms Griffin, that the Committee defer consideration of the date for a final deliberative to consider the report until after the hearing.

***Public Hearing***

The public, the media and witness were admitted.

The Chair made an opening statement drawing attention to the broadcasting guidelines and other matters.

Mr Garry Payne, Director General of the Department of Local Government, was sworn and examined.

Evidence concluded and the witness withdrew.

Resolved, on the motion of Ms Hale, that the answers to questions on notice from the earlier hearing provided by Mr Payne be tabled and published by the Committee.

Professor David Brunkhorst, Director, Institute for Rural Futures, University of New England, was sworn and examined.

Professor Brunkhorst tendered a summary of his slide presentation.

Resolved on the motion of Mr Lynne that the document be accepted by the Committee.

Evidence concluded and the witness withdrew.

Councillor Barry Johnson, Mayor, and Mr Paul Henry, General Manager, Inverell Shire Council were sworn and examined.

Evidence concluded and the witnesses withdrew.

Evidence concluded and the witnesses withdrew.

***Deliberative to Consider Report***

Resolved, on the motion of Mr Lynn, that the Committee meet on Monday 15 December from 10:00 am until 12:30 am to consider the Chair's draft report of the Amalgamations Inquiry.

**6. Budget Estimates 2003-2004**

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**7. Adjournment**

The committee adjourned at 12:35pm until 1 December 2003, time and venue to be decided.

Steven Reynolds

**Clerk to the Committee**

## **Minutes No 15**

15 December 2003

Room 1153, Parliament House, at 10:00 am

### **1. Members present**

Mr Ian Cohen (Chair)

Mr Charlie Lynn

Ms Kayee Griffin

Ms Sylvia Hale

Mr Henry Tsang

Mr Ian West

Mr Duncan Gay (Colless)

### **2. Apologies**

Mr Rick Colless

### **3. Substitution arrangements**

The Chair informed the meeting that he had been advised by the Opposition Whip that Mr Gay would substitute for Mr Colless.

### **4. Local Government Amalgamations Inquiry**

#### ***Chair's Draft Report***

The Chair tabled his draft report which, having been circulated, was taken as being read.

The Committee resolved to review the Chair's Draft Report page by page.

Chapter One read.

Chapter Two read.

Chapter Three read.

Resolved, on the motion of Mr Lynn, that the following sentence be added at the end of paragraph 3.6:

'It should also be noted that rate-pegging, unfunded mandates and the imposition of government charges have contributed to the financial position of local government.'

Resolved, on the motion of Ms Griffin, that the following phrase be added at the end of Recommendation 3:

“, this consultation should include an examination of the Federal Government hypothecating a percentage of GST to local government.’

Resolved, on the motion of Mr Tsang, that Chapters One, Two and Three as amended be adopted.

Chapter Four read.

Resolved, on the motion of Mr Gay, that the following sentence be added at the end of paragraph 4.7:

'The Committee acknowledges there were many different views on these issues.'

Resolved, on the motion of Ms Hale, that Recommendation 4 be reworded to read as follows:

That the Department of Infrastructure, Planning and Natural Resources and the Department of Local Government conduct a formal study, including a review of current studies, on the costs, benefits and functioning of various methods for determining council planning development decisions including Independent Hearing and Assessment Panels.

Resolved, on the motion of Ms Hale, that Recommendation 9 be amended by adding the following phrase at the end of the last sentence:

The Summit would also provide a basis for a partnership agreement between the State and local governments.

Chapter Five read.

Resolved, on the motion of Mr West, that the second sentence of paragraph 5.33 be amended to read:

Greater efficiency from local government does not always come from amalgamations.

Resolved, on the motion of Mr Lynn, that the following sentences be added at the end of Paragraph 5.33:

The Committee has also heard from several people who considered that any discussion about amalgamations should be part of a complete review of the methodology for determining local government boundaries. This is discussed further in Chapter 6.

Resolved, on the motion of Ms Hale, that Recommendation 14 be reworded to read as follows:

That all amalgamation proposals and any boundary alteration proposals that involve a ten per cent or greater variation in either population, area or rate-base arising from the current structural reform program are referred to the Boundaries Commission for public inquiry.

Resolved, on the motion of Mr Lynn, that the first sentence of paragraph 5.51 be amended to read as follows:

In the absence of a clearly defined process for boundary reform, there has been a great deal of community fear regarding the 'threat' of amalgamations.

Resolved, on the motion of Ms Hale, that that the first two paragraphs of Recommendation 15 be amended to read as follows:

That each major recommendation from regional reviews be considered by a consultation process, which could include a polling technique, that involves a representative and spatial sample from the residents of the areas concerned.

That following the consultation process, a postal ballot of all residents should be conducted and the support of a majority of a council's residents be required for that council to continue as part of that proposal.

Resolved, on the motion of Ms Hale, that that the first paragraph of Recommendation 16 be amended to read as follows:

That for each new council being proposed by the regional reviews a steering committee be established and be comprised of a representative of the Department of Local Government, and two

councillors, the General Manager and a minimum of two residents from each of the councils involved in the proposal.

Resolved, on the motion of Mr Lynn, that the following sentence be added at the start of paragraph 5.92:

The need to consider the geographic size of a council area in terms of the time required to travel to its outlying areas was raised in evidence and is discussed at paragraph 4.37.

Chapter Six read.

Resolved, on the motion of Mr Lynn, that the quote from the President of the Shires Association be moved to an earlier position (paragraph 6.25) in the section on maps, models, lines and catchments.

Resolved, on the motion of Mr Lynn that the following paragraphs be inserted after paragraph 6.30 (old paragraph 6.29):

The methodology includes a comprehensive survey tool in which a sample of local residents is asked to nominate their areas of interest in terms of their community, local government and regional development:

'We had a lot of[survey] questions like where residents go for different services, major and minor, shopping, health services and things like that...We asked people where their junior sporting associations were, where they took their kids to play sport with or against other towns or communities. An interesting question we asked was when they had been away on holidays and were driving home, when did they feel like they were almost home even though they still had some way to go?

While the model has so far only been applied to one region in NSW, Professor Brunckhorst believes it could and should be applied across the State. He estimates that the cost of applying the model to the whole of the State, excluding Sydney, would be between \$600,000 to \$2 million and would take at least one year to complete.

Resolved, on the motion of Mr Lynn, that the following recommendation be inserted after paragraph 6.32:

That the Department of Local Government investigate the feasibility and cost of applying the model developed by the Institute of Rural Affairs for determining local government boundaries across New South Wales.

Resolved, on the motion of Mr Lynn, that Chapters Four, Five and Six as amended be adopted.

Resolved, on the motion of Mr Lynn, that the report, as amended, be adopted.

Resolved, on the motion of Mr Lynn, that the report be signed by the Chair and presented to the Clerk of the House on Tuesday 16 December 2003 in accordance with the resolution establishing the Committee of 3 July 2003.

Resolved, on the motion of Mr Lynn, that the Committee secretariat be authorised to make any grammatical or typographical changes to the report prior to tabling.

Resolved, on the motion of Ms Hale, that pursuant to the provisions of section 4 of the Parliamentary Papers (Supplementary Provisions) Act 1975 and under the authority of Standing

Order 223, the Committee authorises the Clerk of the Committee to publish the report, correspondence, submissions and tabled documents, except those for which confidentiality has been requested.

**5. Adjournment**

The Committee adjourned at 12:40pm *sine die*.

Steven Reynolds

**Clerk to the Committee**