

Mark Ferguson, General Manager
8am to 5:30pm Mon - Thurs, 8am to 5pm Fri

10 September 2015

The Director
General Purpose Standing Committee No. 6
Parliament House
Macquarie St
Sydney NSW 2000

Attention: Madeleine Foley

Email: gpscno6@parliament.nsw.gov.au

Dear Director

Re: Inquiry into Local Government Hearing 24 August 2015

I write on behalf of Pittwater Council and in respect of the record of proceedings before the General Purpose Standing Committee No 6 on Monday 24 August 2015. Council is concerned that the witness testimony by representatives of Warringah Council is misleading and undermines Pittwater Council, its elected officials and staff without an opportunity to respond.

The following statements within the transcript are of concern to Council:

Mr REGAN Page 4 para 3: *'We also saw a strong level of support for one unified northern beaches council from Pittwater and Manly residents'.*

Pittwater Response:

That is not the case, Warringah's own polling identified that Pittwater residents were overwhelmingly opposed to the One Council model and with 65% supporting the status quo.

Mr REGAN Page 4 para 6: *'...our neighbours pay significantly higher rates and get less services and infrastructure - just a fact'.*

Pittwater Response:

Pittwater residential rate in the dollar is lower than Warringah. The service level statement is also not a fact. There is no evidence to support this position. Pittwater contains 25% of Sydney's beaches and 18km² of waterways that are the recreational hub for water sports of the northern beaches and arguably Sydney. Different Local Government areas perform different or complementary functions and at different service levels.

Mr REGAN Page 4 para 6: *'The structure of Regional Organisations of Councils (ROCs) in its current form does not work for our community nor will it ever work in any form.'*

Pittwater Response:

The achievements of SHOROC demonstrate otherwise.

Three of the key elements of strategic capacity under the NSW Government's Fit for the Future reforms are performed by SHOROC and other regional organisations: Effective regional collaboration; Credibility for more effective advocacy; Capable partner for State and Federal agencies. The Joint Operation (JO) pilots have identified JO's as having three core functions: regional strategic planning, working with State Government, and regional leadership and advocacy. By this measure SHOROC has been exemplary and has clearly worked for the community, for councils, and for the state and commonwealth governments.

Case in point is that in 2009 SHOROC developed the subregional plan 'Shaping Our Future' integrating land-use and infrastructure planning for housing, jobs, transport and health. Through advocacy and working in partnership with the NSW Government, this whole plan is now being delivered including:

- \$633 million NSW Government investment for public transport and roads including a new Bus Rapid Transit system, major road upgrades and planning for a major tunnel.
- Over \$600 million for hospitals and health services, including construction of a new Level 5 Hospital whilst retaining an existing local Hospital.

Mr HART Page 8 para 1: *'I would like to echo the comments that Randwick has made. We used the same company, SGS, to do our analysis on exactly the same basis – I will not bore you with those details. On that basis they came up with savings of circa \$200 million over 10 years, and the KPMG report, which was commissioned by our neighbouring councils, Manly and Pittwater, came up with savings of 40. Just to give you an answer in our case, KPMG, which is the lesser of the estimates, said there would be a saving of about 101 people, and that was by reducing the number of general managers, senior staff, across the divisions and so on. If you just took an average figure for across the organisation, including on-costs of about \$90,000, that works out at about \$90 million over 10 years.'*

Pittwater Response:

This misleading statement fails to recognise that staff reductions do not occur immediately given the staff retention legislation guaranteeing 3 years employment. The separation cost also needs to be funded. The KPMG report represents the only body of credible evidence on the topic that was funded by Manly and Pittwater Councils and relied upon data provided by Warringah Council.

Statement from Mr REGAN:

The Hon. CATHERINE CUSACK Page 10: *'Councillor Regan, you said in your opening remarks that you had some examples of why the joint organisations do not work. Could you share those with us?'*

Mr REGAN Page 10 para 1: *'I will start with the ROC first and then I will defer to the General Manager just on a very excellent point regarding Kimbriki Enterprises and JOs. Specifically with ROCs, Warringah Council does its own procurement, if you like, and the ROC decided to call for a person to do this at \$120,000 as a corporate staff member, to be paid for by the four councils to do procurement. We put our hands up and said, "Well, we actually already do this, so why don't we do it on your behalf?" and they said, "No, anyone but Warringah" because ROCs rely on personalities. We said, "Well, we will appoint a staff member at half the price and dedicated 100 per cent to the three councils and nothing to do with Warringah"—not good enough; off they go. We have a number of similar examples to share in that regard, one on Kimbriki and the JOs, because JOs talk about legal entities and what have you and we have got an interesting example of Kimbriki Enterprises and it is a great working example now of why it will never work and why it cannot work.'*

Pittwater Response:

Joint procurement, while an optional service for regional organisations, delivers significant benefits for councils and is working very well across Northern Sydney. The only Council of the 11 in the region not participating in joint procurement with neighbouring councils is Warringah.

To clarify the background provided by Mr Regan:

- In 2009 SHOROC instigated a council business improvement program, including joint procurement.
- Through this program a number of tenders were conducted, with savings in the order of 5-10% for councils on a tender portfolio of over \$18 million annually.
- In September 2013 with local government reform looming and support within council for amalgamation, and after around 18 months of disrupting joint tender efforts, Warringah Council resolved that joint procurement was not working for council and to withdraw from joint procurement.
- In February 2014 the SHOROC Board noted Warringah's resolution and resolved that the other SHOROC members would seed fund a joint procurement position in SHOROC and seek to partner with neighbouring NSROC to increase the scope of joint procurement across all councils of northern Sydney
- Warringah Council then, following a concerted campaign of devaluing and undermining joint tendering from 2012, proposed to SHOROC that it run joint tendering on behalf of SHOROC.
- This proposal was considered in good faith by the working group set up to oversee the joint procurement program as an alternative way of performing the role.
- The working group looked at the proposal favourably however, determined to first trial a centralised regional strategic procurement role at SHOROC for 12 months to ensure the full focus would be on providing this service to all councils, enable greater adaptability and provide an opportunity to build an internal capability.
- Since July 2014 the SHOROC Regional Procurement Manager has successfully managed a joint procurement program for councils of Northern Sydney which:
 - Now has 10 of the 11 councils of northern Sydney participating.
 - Manages 11 regional contracts totaling \$20 million annually, including contracts such as for asphalt, linemarking, stationery, records, concrete and more.
 - Manages a regional strategic planning working group to collectively identify and oversee joint tender opportunities for the region

Mr REGAN Page 11 Para 1: *'I have one last example just on that point about regional organisations of councils. When Minister Hazzard was the planning Minister and Mike Baird was the Treasurer, we had our regular mayors meeting and I suggested we do a shared services model around town planning, because the Act had just changed and we had a standard template document. It was a great opportunity to really demonstrate how shared services might actually work. Low and behold, no, it could not. Mike Baird as Treasurer said, "Well, this is a great idea. We could help by looking at Government funding for this sort of a project to happen across all councils. If it was a successful, it could be a pilot project." Minister Hazzard thought it was a great idea because it brought regional planning together. You would have one central bureaucracy running regional planning and strategic planning and you would make significant savings, because whether you take 2,000 development applications or 500 development applications you need four or five administration staff.*

So all of a sudden we would have more resources to do town planning, create very real savings and deliver higher levels of service. There was one standard document. So you could have your Pittwater region planning, your Manly region planning and you could break Warringah up into two or three different regions for planning. You could have those regions because you suddenly had more resources to do it. But, no, according to the general manager of Manly and according to the mayor of Pittwater at the time that was amalgamation by stealth. They said, "Over my dead body; we're not going to have Warringah doing this; it would just be Warringah running this process."

I said, "Well, take us out of it. I don't really care." Mike Baird, Brad Hazzard and Rob Stokes all just shook their heads, as they should, because it was a real opportunity lost to do an actual project of shared services using a current template document.'

Pittwater Response:

SHOROC commenced a planned program of shared services investigations in 2012 which was subsequently put on hold, largely at the request of Warringah Council, as the NSW Government's local government reform program created uncertainty in the sector. Warringah Council's approach was in fact limited to one option being the unit must be run by Warringah, or it would not be involved in any way.

The timeline of events is as follows:

- **November 2011** the SHOROC Board resolved to look to expand the capacity of SHOROC to deliver financial savings through greater investigation and implementation where appropriate of shared and collaborative functions and services and requested the General Managers identify potential areas for investigation
- **In March 2012** SHOROC held a strategic planning session with the council General Managers which identified five potential shared services including a centralised Development Assessment unit.
- **In April 2012** all the Board (Mayors and General Managers of the four councils) met with local NSW MPs at a regular SHOROC Leaders Forum. Mr Regan did raise the potential for this centralised Development Assessment unit. The Hon. Brad Hazzard MP, then Minister for Planning, supported the proposal and the Hon. Mike Baird MP, then Treasurer, commented that the NSW Government could potentially look to fund some of the costs of establishing such a unit.
- **In May 2012** the SHOROC Board resolved to approve the SHOROC 2012-2016 Corporate Plan and Budget, which included specific funding for 2012-2013 and 2013-2014 for preparation of business cases into potential shared services including a centralised DA assessment unit.
- However the NSW Government local government reform process was gaining increasing prominence and Warringah Council subsequently advised that it would not be participating in any shared services unless it was providing the service on behalf of other councils.

Mr REGAN Page 12: *'We have identified savings, and you can use our neighbours' report listing \$4 million over 10 years or you can use our report listing \$200 million - somewhere in the middle lies the truth, let us say.'*

'We are delivering a police citizens and youth club at the moment for the benefit of the whole of the northern beaches community....You cannot do that as a smaller council... they cannot do that.'

Pittwater Response:

The PCYC was proposed by Pittwater Council as a regional facility with considerable pre-planning, thorough community engagement and support and negotiation with Government. The submission in fact was considered high quality and provided a case for such a facility to be considered for the Northern Beaches. Despite that Warringah Council pursued a PCYC to be located in Dee Why and was awarded the funding. This is a case of competition not scale and capacity.

Warringah Council's Capital Expenditure in 2014/2015 was \$38.755 million compared to Pittwater Council's \$19.960 million. Given that Warringah is 2.66 times the size of Pittwater (based on net assets) the Pittwater capital spending is stronger in relative terms than Warringah.

Mr REGAN Page 13 para 2: *'We could create an economic development unit – we currently have only one economic officer. We could create a tourism unit to promote Manly and Pittwater as well as Warringah. It is a no-brainer – because we would have the resources. We would make savings elsewhere to fund the resources. So we would put downward pressure on rates and increase the level of services at the same time. Why are we not looking at doing that? We need to have a real vision for the future. The Government has given us every opportunity to do that over the last few years and has provided financial incentives. In Victoria, they just sacked them. In Queensland it was similar. So I think this Government has actually given us a real opportunity to take control of our own destiny, to get on with it and to create a vision for the community. But self-interest is just getting in the way.'*

Pittwater Response:

Pittwater Council continues to recognise the importance of a vibrant local economy that contributes regionally. This commitment has led to an increase in resources to economic development by the appointment of a full-time Economic Development Coordinator within our Place Management business unit. This position contributes regionally as current chair of the SHOROC Economic Development Working Party. It is often the Pittwater initiatives, innovation and ideas that Warringah Council often 'borrow' and implement that has been the catalyst for their more recent performance improvement.

In conclusion it is with great disappointment that particular councils have attempted to damage the sector through attacks on others rather than seeking constructive improvements. It is therefore requested that this rebuttal of the attempt to mislead your inquiry be attached as an addendum to the transcript for proceedings of 24 August 2015.

Yours sincerely


Mark Ferguson
GENERAL MANAGER