



GWYDIR
SHIRE COUNCIL

19th August 2015

The Hon. Paul Green MLC
The Director
General Purpose Standing Committee No 6
Parliament House
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Received by

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Date: 18 / 8 / 2015

Resolved to publish Yes / No

Dear Mr Green

Inquiry into the 'Fit for the Future' Reform Agenda

Gwydir Shire Council thanks you for the opportunity to make this oral submission to the Parliament Legislative Council's General Purpose Standing Committee No. 6 – Inquiry into Local Government in New South Wales in support of its written submission dated 3rd July 2015.

The current *Fit for the Future* process is based upon the premise that local government is broken and that some drastic changes are required.

Why is this?

And are the issues facing local government in NSW really any different, in any tangible way, than those same issues facing the NSW State Government?

Surely the fundamental issue is a lack of secure funding to meet the responsibilities imposed upon both local government and the NSW Government.

The biggest problem with the current process is that it's addressing the wrong question and will, therefore, inevitably reach the wrong outcome with some potentially dire consequences especially for rural NSW.

Funding

The basic issue is the governance of Australia's Federation. The level of vertical fiscal imbalance between the three levels of government must be addressed. When one level of government essentially has all the cake it will gorge itself and this has happened in Australia to the detriment of the States and its companion, local government.

Unfortunately the ill-considered rate pegging policy in NSW has also finally hit in a wall and needs to be scrapped or greatly improved. In rural areas the rates are often set according to the economic health of its rural agricultural base. This is a very reasonable approach in times of drought, for example, but it has come at a cost. Every time a Council did not accept the approved rate pegging limit or, in some years, actually reduced its rates, this additional income was lost forever under rate pegging. Why?

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In the former Bingara Shire Council's case this foregone past allowable income amounts to around \$500,000 lost each year from its rates' income. This annual loss continued into the newly formed Gwydir Shire.

Rate pegging removed the ability of rural Council's to set the rates according to the viability of the seasons.

To become *Fit for the Future*, Councils like Gwydir simply need to have the independence to set the rate in accordance with the Council's needs and the community's expectations without being burdened by an arbitrary allowance that in many years doesn't seem to bear any resemblance to reality. If we need to have some form of regulatory cap make it a set percentage, say 7%, and allow Councils to work within that restriction but also allow a catch-up with the notional rates' yield always being moved by the regulated cap. This approach over the last 38 years would have achieved two things: budgeting certainty and many Councils would now be significantly better placed financially.

Benchmarks

Being driven by financial benchmarks rather than sound social outcomes will be to the detriment of local communities, especially those facing either strong growth or declining populations. It's relatively easy to meet benchmarks when you have a stable population and a small physical area to cater for but this does change rapidly when other pressures start to confront the elected Council.

The benchmarks introduce some other interesting problems. For example, in Gwydir there is a road called Elcombe Road and it provides a link between Bingara and Moree. It is currently 6 metres wide and should be, say, 8 metres wide to improve safety. But if the Council widens the road it becomes an improvement rather than a replacement. This decision has an impact on four of the benchmarks in a negative way – the Council becomes less financially sustainable into the future according to the benchmarks. Is this a valid reason to ignore the safety concerns?

Social dislocation

Gwydir Shire Council employs one in ten of every employed person within the Shire. Telling the community that these jobs are safe for three years just puts off the day of reckoning.

Any change that potentially reduces this workforce participation rate will severely impact upon the economic viability of this community.

Gwydir Shire Council also provides a range of services that are not duplicated within its neighbouring Council areas. These services could be stopped depending upon the philosophical leanings of any newly elected Council. The services that the Council provides are its attempt to implement the Charter outlined in the *Local Government Act*.

At the last two local government elections every Councillor who stood for re-election was elected in spite of other choices being available at the poll. This indicates that the Gwydir community supports the range of services being provided.

Bigger does not necessarily mean better.

Gwydir Shire was the product of a past merger. The Boundaries Commission noted that the merger would save just under \$300,000 annually. To achieve this saving the Gwydir community had to pay over \$3,000,000 (see attached) in the first three years following the merger. The economics do not add up and the current process has woefully under estimated the cost burden across the State if forced mergers are to occur. The financial package offered is certainly an improvement over previous merger cycles but the amounts are inadequate.

At a previous public consultation meeting Uralla Shire put forward the following points, which Gwydir Shire strongly supports:

- Local should still be in local government.
- Local government in the rural areas is still very democratic, broad based and non-party political.
- Meets local services with local priorities.
- It still is the level of government closest to the people.
- Communities identify with its local government in rural areas.
- The local council is the heartbeat of the community.

Gwydir Shire Council has confidence in its future and it truly hopes that the State Government shares this confidence.

Thank you for your time and your inquiry.

Yours faithfully

Max Eastcott
General Manager
Gwydir Shire Council

Amalgamation Costs (Estimated) 17th March 2004 to 17th March 2007

	2004/2005	2005/2006	2006/2007 (Est)	Totals
The set up of a wide-band link for the transfer of information, including data and voice, between the offices at Bingara and Warialda	\$280,000	\$70,000	\$30,000	\$380,000
An upgrade of the radio system to enable the work staff to communicate across the whole of the Shire	\$100,000			\$100,000
Equalization of pay rates due to the different salary administration systems between the former Councils and the adjustment of wages and salaries to reflect additional levels of responsibility	\$120,000	\$123,840	\$127,555	\$371,395
Inability to reduce staff numbers over the initial 3 year period	\$597,210	\$620,800	\$640,000	\$1,858,010
Additional external assistance required	\$100,000	\$100,000	\$50,000	\$250,000
Redundancy payments			\$342,040	\$342,040
Estimated FAGS reduction			\$20,000	\$20,000
	\$1,197,210	\$914,640	\$1,209,595	\$3,321,445