

Good afternoon Mr Chairman and members, thank you for inviting Local Government Professionals (NSW) to meet with the Committee today.

My name is Barry Smith and I am the President of our organisation and I have with me today Tony Pizzuto who is the Vice-President.

I am also the General Manager of Hunters Hill Council and a member of the Ministerial Advisory Group on Local Government reform. I have been a member of this organisation for over 30 years and worked in local government for over forty years.

Mr Pizzuto was until recently the Financial Services Director at Willoughby City Council. Mr Pizzuto has been a member of this organisation for over 23 years and worked in local government, particularly in the finance area for over 35 years.

We are not a 'union' but a professional association whose objectives in part are:

- to promote excellence in local government management...
- to promote the development, advancement and improvement of the management of local government...
- to promote the development of local government by formulating policies, making public statements, organizing or joining in deputations, initiating or promoting legislation and generally to make such representations and tender such advice as may tend to promote our objects...
- to promote ethical practice by prescribing standards of professional behaviour to be observed by all members...
- to promote recognition of Local Government Professionals as an authority on matters relating to local government management in New South Wales; and to do all things necessary in order to promote, encourage and assist the wellbeing of members through professional development, membership services and related activities.

Local Government Professionals (NSW) has been a partner in the current reform process since the original Destination 2036 meeting in Dubbo in 2011.

Members I am sure you have read our submission so I will not be going over it, but would like to emphasise a couple of points before responding to the many questions I am sure you are waiting patiently to ask.

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It is without question that we support a reform process and we all believe that we can do things better and I can say without contradiction that the vast majority of professionals in local government want to do things smarter, simpler and better.

But really, who has the most knowledge and experience to bring about and provide the best advice and direction for change, or reform?

It is our view that it is local government professionals.

In the myriads of research that has been done on local government reform and where the change/reform process has been imposed by others, the data clearly shows that this approach has failed. Destination 2036 was aimed at taking a new and different approach to reform.

Destination 2036 started out as a partnership project and was progressing, in our view very satisfactorily and while we may not have agreed with the need and timing for the ILGRP, nonetheless as professionals we embraced the direction.

Unfortunately, the direction taken under the 'Fit for the Banner' means that the wheels may have fallen off the bus with the concentration on structural reform, rather than those things that could bring real and lasting reform.

One question that must be asked is... who is driving this bus? Or rather, have we got the right people driving the bus?

The evidence of researchers such as Dollery and Drew and Percy Allan and others demonstrates another failure awaits us and the cost to our ratepayers of this failure could be in the millions.

We do not want to be negative about reform or change, as an industry we have made a decision to embrace reform, but it must be done as a real partnership, without any bias or preconceived ideas.

The reality is that the 65 'recommendations' of the ILGRP are the opinions or ideas of the three members of the panel, many of which derived from the many meetings that were held with Councillors, professionals and the community over several months.

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Councils and professionals alike have reviewed those ideas and generally support 'in-principle' many of those ideas. There is however a lack of concurrence or consensus around the ideas put forward about 'structural reform'.

The main reason for rejecting these latter ideas is that there is no consensus and no empirical or other data provided that tests or supports those ideas. Yet blindingly, the bus drivers or some other unknown and unidentified source has proclaimed that these last set of recommendations must be acted on first because local government does not know what it is doing.

I would strongly argue that this is a very, very serious misjudgement of the many highly qualified and experienced professionals in local government in NSW.

When I speak of the bus and the driver I do not mean to treat this lightly, but after over 40 years of service to something I love this is just pure frustration.

If the real concern for local government is about our long-term financial sustainability, particularly in regional NSW, then surely the recommendations dealing with such matters as rating reform, regulatory reform and access to lower financing costs should have a much higher priority.

If the real concern is about how we conduct our business then those recommendations, such as a review of the Local Government Act, should have a much higher priority.

If the real concern is about the quality of elected representatives or our ability to attract and retain quality staff then those recommendations should have a much higher priority.

If there is real concern about local government as a whole why are joint organisations not considered or proposed for Metropolitan Sydney?

There are 58 recommendations that are all generally about strategy and strategic decisions that will assist in providing real and lasting reform in local government. They are not the be all and end all of the reform process, but they are a solid platform upon which to begin and build.

So the next question is... why is there a priority for structural reform?

The messages being sent by the Government are at the very least mixed and confused.

There is a very old, tried, tested and true saying about change or reform – structure follows strategy. It was never more so than in this case.

Local Government Professionals (NSW) believe that we must continue to put people (both our professionals and our communities) and *strategy first* NOT last.

We are happy to respond to questions from the Committee.

Attachment

1. Recommendations of the ILGRP.

RECOMMENDATIONS OF ILGRP

A. Recommendations for fiscal responsibility	
1	Establish an Integrated Fiscal Responsibility Program, coordinated by DLG and also involving TCorp, IPART and LGNSW to address the key findings and recommendations of TCorp's financial sustainability review and DLG's infrastructure audit (5.1 and 5.3)
2	As part of the program: <ul style="list-style-type: none"> • Adopt an agreed set of sustainability benchmarks (5.1) • Introduce more rigorous guidelines for Delivery Programs as proposed in Box 9 (5.2) • Commission TCorp to undertake regular follow-up sustainability assessments (5.3) • Provide additional training programs for councillors and staff (5.3) • Require all councils to employ an appropriately qualified Chief Financial Officer (5.3)
3	Place local government audits under the aegis of the Auditor General (5.4)
4	Ensure that the provisions of the State-Local Government Agreement are used effectively to address cost-shifting (5.5)
B. Recommendations for Strengthening Revenues	
5	Require councils to prepare and publish more rigorous Revenue Policies (6.1)
6	Commission IPART to undertake a further review of the rating system focused on: <ul style="list-style-type: none"> • Options to reduce or remove excessive exemptions and concessions that are contrary to sound fiscal policy and jeopardise councils' long term sustainability (6.2) • More equitable rating of apartments and other multi-unit dwellings, including giving councils the option of rating residential properties on Capital Improved Values, with a view to raising additional revenues where affordable (6.3)
7	Either replace rate-pegging with a new system of 'rate benchmarking' or streamline current arrangements to remove unwarranted complexity, costs, and constraints to sound financial management (6.5)
8	Subject to any legal constraints, seek to redistribute federal Financial Assistance Grants and some State grants in order to channel additional support to councils and communities with the greatest needs (6.6)
9	Establish a State- borrowing facility to encourage local government to make increased use of debt where appropriate by: <ul style="list-style-type: none"> • Reducing the level of interest rates paid by councils • Providing low-cost financial and treasury management advisory services (6.7)
10	Encourage councils to make increased use of fees and charges and remove restrictions on fees for statutory approvals and inspections, subject to monitoring and benchmarking by IPART (6.8)
C. Recommendations for Meeting Infrastructure Needs	
11	Factor the need to address infrastructure backlogs into any future rate-pegging or local government cost index (7.1)
12	Maintain the Local Infrastructure Renewal Scheme (LIRS) for at least 5 years, with a focus on councils facing the most severe infrastructure problems (7.2)
13	Pool a proportion of funds from the roads component of federal Financial Assistance Grants and, if possible, the Roads to Recovery program in order to establish a Strategic Projects Fund for roads and bridges that would: <ul style="list-style-type: none"> • Provide supplementary support for councils facing severe infrastructure backlogs that cannot reasonably be funded from other available sources • Fund regional projects of particular economic, social or environmental value (7.2)
14	Require councils applying for supplementary support from the Strategic Projects Fund to undergo independent assessments of their asset and financial management performance (7.2)
15	Carefully examine any changes to development (infrastructure) contributions to ensure there are no unwarranted impacts on council finances and ratepayers (7.3)
16	Adopt a similar model to Queensland's Regional Roads and Transport Groups in order to improve strategic network planning and foster ongoing improvement of asset management expertise in councils (7.4)
17	Establish Regional Water Alliances as part of new regional Joint Organisations proposed in section 11 (7.5).

D. Recommendations for Improvement, Productivity and Accountability	
18	Adopt a uniform core set of performance indicators for councils, linked to IPR requirements, and ensure ongoing performance monitoring is adequately resourced (8.1)
19	Commission IPART to undertake a whole-of-government review of the regulatory, compliance and reporting burden on councils (8.2)
20	Establish a new sector-wide program to promote, capture and disseminate innovation and best practice (8.3)
21	Amend IPR Guidelines to require councils to incorporate regular service reviews in their Delivery Programs (8.4)
22	Strengthen requirements for internal and performance auditing as proposed in Box 17 (8.5)
23	Introduce legislative provisions for councils to hold Annual General Meetings (8.6)
24	Develop a NSW Local Government Workforce Strategy (8.7)
25	Explore opportunities for the Local Government Award to continue to evolve to address future challenges facing the sector and changing operational needs.
E. Recommendations to Advance Structural Reform	
31	Introduce additional options for local government structures, including regional Joint Organisations, 'Rural Councils' and Community Boards, to facilitate a better response to the needs and circumstances of different regions (10.1)
32	Legislate a revised process for considering potential amalgamations and boundary changes through a re-constituted and more independent Boundaries Commission (10.3)
33	Encourage voluntary mergers of councils through measures to lower barriers and provide professional and financial support (10.4)
34	Provide and promote a range of options to maintain local identity and representation in local government areas with large populations and/or diverse localities (10.5)
F. Recommendations for Regional Joint Organisations	
35	<p>Establish new Joint Organisations for each of the regions shown on Maps 2 by means of individual proclamations negotiated under new provisions of the Local Government Act that replace those for County Councils (11.5)</p> <ul style="list-style-type: none"> Defer establishment of JOs in the Sydney metropolitan region, except for sub-regional strategic planning, pending further consideration of options for council mergers (11.5) Enter into discussions with 2-3 regions to establish 'pilot' JOs (11.5) Re-constitute existing County Councils as subsidiaries of new regional Joint Organisations, as indicated in Table 5 (11.2) Establish Regional Water Alliances in each JO along the lines proposed in the 2009 Armstrong-Gellatly report (11.3) Set the core functions of Joint Organisations by means of Ministerial Guidelines (11.6) Seek federal government agreement to make JOs eligible for general-purpose FAGs (11.6)
36	<p>Identify one or more regional centres within each Joint Organisation and:</p> <ul style="list-style-type: none"> Create a network of those centres to drive development across regional NSW (11.7) Consider potential mergers of councils to consolidate regional centres, as indicated in Table 6 (11.7)
37	<p>Develop close working partnerships between Joint Organisations and State agencies for strategic planning, infrastructure development and regional service delivery (11.8), and</p> <ul style="list-style-type: none"> Add representatives of Joint Organisations to State agency Regional Leadership Groups (11.8) Give particular attention to cross-border issues and relationships in the operations of Joint Organisations and in future regional strategies (11.9)
G. Recommendations for 'Rural Councils' and Community Boards	
38	Establish a working party as part of the Ministerial Advisory Group proposed in section 18 to further develop the concept of 'Rural Councils' for inclusion in the re-written Local Government Act (12.1)
39	Include provisions for <i>optional</i> Community Boards in the re-written Act, based on the New Zealand model, but also enabling the setting of a supplementary 'community rate' with the approval of the 'parent' council (12.2)

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H. Recommendations for Metropolitan Sydney	
40	Strengthen arrangements within State government for coordinated metropolitan planning and governance, and to ensure more effective collaboration with local government (13.1)
41	Seek evidence-based responses from metropolitan councils to the Panel's proposals for mergers and major boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission (13.3)
42	Prioritise assessments of potential changes to the boundaries of the Cities of Sydney and Parramatta, and <ul style="list-style-type: none"> • Retain a separate City of Sydney Act to recognise its Capital City role • Establish State-local City Partnership Committees for Sydney and Parramatta along the lines of Adelaide's Capital City Committee (13.4)
43	Pending any future action on mergers, establish Joint organisations of councils for the purposes of strategic sub-regional planning (13.5)
44	Maximise utilisation of the available local government revenue base in order to free-up State resources for support to councils in less advantaged areas (13.6)
45	Continue to monitor the sustainability and appropriateness in their current form of the Hawkesbury, Blue Mountains and Wollondilly local government areas (13.7)
46	Promote the establishment of a Metropolitan Council of Mayors (13.8)
I. Recommendations for Hunter, Central Coast and Illawarra	
47	Seek evidence-based responses from Hunter and Central Coast councils to the Panel's proposals for mergers and boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission (14.1 and 14.2)
48	Defer negotiations for the establishment of a Central Coast Joint Organisation pending investigation of a possible merger of Gosford and Wyong councils (14.2)
49	Pursue the establishment of Joint Organisations for the Hunter and Illawarra in accordance with Recommendation 35 (14.1 and 14.3)
J. Recommendations for Rural and Regional Councils	
50	Explore options for non-metropolitan councils in Group A as part of establishing the Western Region Authority proposed in section 16 (15.1)
51	Refer councils in Groups B-F to the Boundaries Commission in accordance with Table 11 and the proposed timeline (15.1)
52	Complete updated sustainability assessments and revised long term asset and financial plans for the 38 councils identified in Table 11 by no later than mid-2015 (15.2)
K. Recommendations for the Far West	
53	Agree in principle to the establishment of a Far West Regional Authority with the functions proposed in Box 39 and membership as proposed in Figure 9 (16.3)
54	Adopt the preferred new arrangements for local government set out in Box 40 as a basis for further consultation (16.4)
55	Establish a project team and reference group of key stakeholders within the DPC Regional Coordination Program to finalise proposals (16.5)
L. Recommendations for State-Local Government Relations	
56	Use the State-Local Agreement as the basis and framework for a range of actions to build a lasting partnership, and negotiate supplementary agreements as appropriate (17.2)
57	Introduce new arrangements for collaborative, whole-of-government strategic planning at a regional level (17.3)
58	Amend the State Constitution to strengthen recognition of elected local government (17.4)
59	Seek advice from LGNSW on the measures it proposes to take to meet its obligations under the State-Local Agreement (17.5)
60	Strengthen the focus of DLG on sector development and seek to reduce its workload in regulation and compliance (17.6)

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M. Recommendations for Driving and Monitoring Reform	
61	Establish a Ministerial Advisory Group and Project Management Office (18.1 and 18.2)
62	Refer outstanding elements of the Destination 2036 Action Plan to the Ministerial Advisory Group (18.1)
63	Adopt in principle the proposed priority initial implementation package set out in Box 42, as a basis for discussions with LGNSW under the State-Local Government Agreement (18.3)
64	Further develop the proposals for legislative changes detailed in Boxes 43 and 44, and seek to introduce the amendments listed in Box 43 in early 2014 (18.5)
65	Adopt in principle the proposed implementation timeline (18.6)