

Tabled by Peter Abelson
Mayor, Mosman Council
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Role and Future of Local Government: Core Questions and Answers

**Cr. Peter Abelson
Mayor Mosman Council
Chair SHOROC
Member of SMMA Executive**

**Presentation to Legislative Council
Inquiry into Local Government**

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Introduction

- Thanks to the Members of the Legislative Council Inquiry for your time and interest
- Personal experience
- Have made a submission in response to LC terms of reference.
- This is a general presentation about the role of local government, not Mosman specific
- Will keep this presentation as brief as possible for such an important and wide-ranging issue
- Be pleased to answer any questions now or in writing later.

Outline of Presentation

- What are core functions of local government?
- What matters most?
- What form of governance can best provide these functions?
 - Community services
 - Financial capacity
 - Strategic capacity
 - Scale ???
- Where to from here?
- Conclusions

Core functions of local government

- Local councils provide and maintain:
 - local infrastructure (roads and drainage),
 - local environment: bushland and urban parks,
 - planning and development services,
 - walkways and parking,
 - waste services,
 - local public health services,
 - active and passive recreational facilities,
 - community transport, meals on wheels,
 - libraries and other cultural facilities,
 - services for seniors, families and youth.
- Many of these are personal services and best provided in relatively small communities.

What matters most?

- Providing what the local community wants: Customer service and community satisfaction are of prime importance.
- The most critical challenges in the world today are social, not technological.
- There have been major increases in disaffected youth, elderly single people living alone, divorce rates, domestic violence, women at work, mental health problems and (unfortunately) aggressive behaviour in all parts of society.
- In his recent book, *The Art of Belonging*, leading social analyst, Hugh Mackay (2014), writes: “We rely on communities to support and sustain us and, if those communities are to survive and prosper we must engage with them and nurture them”. Indeed.

Independent Local Government

Review Panel

- These factors were almost entirely ignored by the ILGRP
- No Panel member had held elected office (and few OLG officials have)
- Sansom (2015) *"The ILGRP's concerns were with the effectiveness of local government as an arm of metropolitan governance"*.
- Local councils are the third arm of government. They provide local services.
- They are **not** a branch of the second arm of government.

Community service capacity

- Key criterion for fitness should be a council's ability to provide desired local public services.
- Different communities want different services
- Closeness to voters is critical for understanding preferences and for observing costs
- In state government: bureaucrats are remote from voters
- State agencies often take months to respond.
- In local councils, customer service, sense of community, public opinion and consultation are critical.

Financial capacity

- “The \$1.0m a day loss”. This reflects a change in audit standards (and rate pegging). And, critically, most losses are in regional / rural areas and large low income councils in Sydney.
- The key drivers of financial capacity are rate payer income levels, business rate base and population density. Nothing to do with size of council.
- Abelson, P. and R. Joyeux, 2015, “Smoke and Mirrors — fallacies in the New South Wales government’s views on local government financial capacity”, *Public Money and Management*.
- Hypothetical business studies are no substitute for well-researched evidence.
- Public bureaucracies are monopoly service providers; they are not competitive businesses. The larger a bureaucratic monopoly the greater is the potential for waste.
- Dallery et al. (2012) show in Australia and internationally that forced amalgamations have not produced cost savings

ILGRP Position

- Mr. Sansom, 2015, Chair of ILGRP, has strongly (vehemently) denied that the ILGRP intended any relation between financial capacity and scale.
- The idea that the ILGRP recommended fewer councils in the Sydney Metropolitan area in order to improve the financial viability of local government in Sydney is **“pure fiction”**
- ... Nowhere did *Future Directions* argue that amalgamations of councils in metropolitan Sydney would improve financial viability”.

Strategic capacity

- ILGRP defined strategic capacity by 10 sub-criteria with focus on councils' capacity to work with the state government on metropolitan wide issues.
- Examples are:
 - knowledge, creativity and innovation,
 - effective regional collaboration,
 - credibility for more effective advocacy,
 - high quality political and managerial leadership.
- These criteria are ill-defined, lack metrics and cannot be readily validated.
- Councils do need strategic capacity in one or other way.
- It is inappropriate to elevate weakly defined strategic capacity over more important services

Metropolitan functions

- Housing and transport in Sydney are primarily State Government responsibilities.
- More housing is a major social need. We must all cooperate.
- However, the State Government has failed to develop, and communicate, a robust methodology for housing targets based on market economics, transport and environmental criteria.
- Local councils can (and must) assist with metropolitan planning through sub-regional organisations, such as SHOROC.
- The State Government has powers to ensure that local councils deliver housing targets that meet market conditions.

Scale is not a separate objective

- Following ILGRP and OLG, IPART (2015) notes that local councils must have the “scale and capacity to engage effectively across community, industry and government”
- But scale (minimum population size) has **no** intrinsic importance. If scale matters, it must be as a **means** to some important objective.
- At NSW LGA conference in Coffs Harbour (October 2014) I asked the Acting CE of OLG: “is scale and capacity one criterion or two”? The Acting CE was unable to answer this question.
- This critical question remains unresolved.
- In our council submission to IPART, we asked IPART if and why scale might be a stand-alone criterion?
- The response was that IPART could not change their terms of reference.

Where to from here?

- Reform local councils yes but not forced mergers; including
 - Develop service metrics
 - Consumer surveys to determine service requirements and satisfaction
 - Develop consistent auditing standards
 - Reform local council revenue base
 - Stop cost shifting
 - Provide financial support where it is needed most
 - Reform private certification
 - Encourage regional planning and procurement organisations
- Develop and implement credible housing targets for Sydney

Conclusions

- Local councils are the third level of government not an arm of state government.
- Yes, reforms as outlined above are desirable
- However financial capacity and scale arguments for merging councils are furphies.
- The strategic capacity criteria are vacuous.

Democracy Matters

- Of prime importance for local communities and councils are
 - the capacity to deliver the local services that residents and ratepayers want and
 - accountability.
- Councils' customer satisfaction surveys and related data provide essential evidence on these issues.
- Nearly all surveys show that most residents and ratepayers strongly support their councils and oppose amalgamation.
- To quote Mark Twain: "If voting made any difference, they wouldn't let us do it."
- Well the people of Sydney have voted and, speaking for those voters, I trust that their votes will make a difference.

References

- Abelson, P. and R. Joyeux; 2015, "Smoke and Mirrors — fallacies in the New South Wales government's views on local government financial capacity", *Public Money and Management*, vol. 35, 4. See also: <http://mosman.nsw.gov.au/news/2014/09/24/local-government-reform>
- Dollery, B., Grant, B. and Kortt, M., 2012, *Councils in Cooperation, Shared Services and Australian Local Government*, Federation Press, Sydney.
- Mackay, H., 2014, *The Art of Belonging*, MacMillan, Sydney.
- Sansom, G, 2015, "The case for council amalgamations in Sydney: fact and fiction", *Public Money and Management*, vol. 35, 1.