

## **INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES**

**Organisation:** Rockdale City Council

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The Director,  
General Purpose Standing Committee No.6  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000



Dear Sir/Madam

Thank you for the opportunity to provide a response to the Inquiry into Local Government in NSW as requested in your letter dated 4 June 2015. We are providing a high level response, as the short timeframe for submissions preclude an in-depth commentary to address all of the relevant issues raised in the Terms of Reference.

### **New South Wales Government's 'Fit for the Future' reform agenda**

Rockdale City Council has participated in the NSW Government's Fit for the Future process in a constructive and positive way. Our submission to the process and on IPART's methodology has attempted to demonstrate our openness to Local Government reform and the industry improvements required to effectively meet the challenges of the future – particularly those facing the Sydney Metropolitan area.

This does not mean that Rockdale does not have any concerns with the process, the clarity of its objectives, or the timeframes.

One concern was that due to the significant impact that failing to demonstrate the threshold size and capacity assessment has on the process, a clear definition, some objective measures and acceptable targets for scale and capacity was not clear – these would have been useful reference points for Councils like Rockdale who approached the process in good faith.

Council was also concerned that the one of the possible recommendations for the city was Sydney International Airport being removed from the existing Rockdale LGA, (or a merged entity such as a St George Council). This appeared to underrate one of the key elements of a sustainable Council - a more robust revenue base. If a significant potential income source, major economic asset and traffic, noise and environmental impact generator such as the Airport was excised, the strategic capacity and potential economic viability of the resultant Council will be significantly reduced.

Council also has previously made the point that amalgamation is only one of a suite of local government reforms recommended by the ILGRP as part of Fit for the Future (there were 65 recommendations). Not all of these have been explicitly captured in the Fit for the Future process, and it will be important to not lose sight on some of these other recommendations, particularly those relating to non-financial or non-structural issues.

None of these shortcomings in the process set aside the clear need for change in the industry. There are many poorly defined boundaries, variable customer and community service levels, often within immediate neighbourhoods. In some regards, Local Government is collegiate and openly shares improvement information, but in other areas it performs poorly, being insular and backward looking.

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There are some Councils that approach the challenges of service excellence with rational, efficient improvement programs and others that meet these challenges poorly, acting in short term or local interests and refusing to cooperate with close neighbours.

The Fit for the Future process has highlighted both these strengths and weaknesses in Local Government. Rockdale for example, has been extremely disappointed in the poor level of cooperation from our adjoining Councils, who were not even prepared to openly discuss the issues raised by this process.

### **The performance criteria and associated benchmark values used to assess local authorities in NSW**

While the proposed measures are not perfect, it is unlikely that any measures that would meet universal industry approval could be identified. Notably Victoria and South Australia have much clearer and holistic benchmark measures for the community to judge the performance of their Local Council than NSW, which is heavily weighted towards financial measures.

No other State has rate pegging, and most have less structured local political arrangements than NSW. The performance and reporting variability of Local Government in NSW is an issue for the State Government as well as the industry. The issue of the proposed criteria for Fit for the Future cannot be considered in isolation from this context, and the lack of rigour in measurement of local government performance in NSW by the State Government has been a long term issue.

Compilation of the data required to address the seven criteria, particularly relating to depreciation has been extremely variable across the NSW local government industry.

Published guidelines for all Councils on the calculation methodologies recommended around depreciation assessment would have been very useful and would have led to a much more consistent and comparable results across these financial measures.

Prior to any merger proposals, IPART should be directed to review up to date accounting methodologies for the relevant Councils to demonstrate whether there are achievable and relatively equitable financial benefits of the merger. Rockdale could not undertake this exercise with any accuracy as we could not obtain this information from other Councils, despite a number of requests.

The complex and varied approaches to the rating structures of each Council will also have significant (and unexpected) impacts on the financial future of the merged Council, and public perception regarding rate increases relating to Fit for the Future.

This is the major unknown of the process, and possibly the greatest risk to any successful merger – how to reconcile the significant rate structures and approaches across different Councils into one equitable and considered approach for a merged entity that will ensure future economic sustainability.

### **The scale of local councils**

As already stated, Council believed there were some shortcomings in the definition and process for assessing scale and capacity of Councils.

In addition, the relationship between the two elements of scale and capacity, as well as whether any of the key elements in this test were crucial was also unclear.

A simple improvement to this component would have been to identify key elements of strategic capacity as priorities (as was introduced into the sustainability, effectiveness and efficiency benchmarks) and detail some benchmark metrics against these.

As a result of this lack of clarity around this aspect of the process, a range of options might be considered unviable by IPART, in which case staff and community time, as well as significant costs have been wasted preparing data and consulting on potentially unacceptable options.

While Rockdale believes it has sufficient scale and capacity to operate as a viable stand-alone entity, contrary to many other Councils, Rockdale can also see some advantages to a merger, in our case with the other St George Councils – which have a shared identity, existing alignment of community interests and reasonable community support.

There are some significant regional transport, environmental and planning issues which would be more effectively supported by this proposal. For this merger to be effective, significant support would have to be made available to the new entity.

Rockdale does not accept that this merger should include Canterbury Council (this option has minimal community support), nor does it support the boundary adjustment proposal that would remove the Sydney International Airport and associated revenue from the Rockdale City's boundaries.

#### **Cost and benefits of amalgamations for local residents and businesses**

Given the previously stated observations about variability in financial methodologies and reporting across Local Government, it is doubtful whether any process (no matter how extensive, expensive or time consuming) could accurately assess this element.

As a result, real improvement in financial performance of the new Council relative to the old would not be simple to measure. In addition, many of the customer service responsiveness and efficiencies within Councils relate to leadership and internal culture, combined with professional awareness of modern business practices and capability for change.

Without a clear focus on how to maximise both the financial and non-financial benefits, there is potential that little would improve in the industry following amalgamations (or without them).

Rockdale City Council is of the view that the State Government needs to consider the impact on the average resident or business owner in any merger proposals. In our experience, the average resident or business owners' most immediate concerns will include:

1. **Costs.** How will this change their rates and fees? (Media reports have potentially raised community fears/expectations in this area, without any real analysis taking place)
2. **Services.** Will their current services will be affected? How will the new Council effectively plan and deliver services to residents and business?
3. **Customer service and access.** How will customers and ratepayers contact /interact / make submissions / influence their Council?

Our community consultation and third party consultants have confirmed that these are the metrics against which the public will judge the success of this process.

Council would further suggest that when/if the State Government considers the implementation of any merger proposals, it would need to put significant resources into the following across all proposed merger Councils to ensure the public judges this a successful process.

Early in the process, the following needs to take place, as a minimum:

- A comprehensive review of relative rating structures and land values of the Councils (these variations are significant and will be important to residents)
- Review of summary service catalogues of the respective Councils (including Service Level Agreements, Costs and FTE's, IT systems)
- Reconciliation of the asset management systems, asset valuations and related accounting assumptions
- Review of knowledge management and customer service structures at the relevant Councils (including Customer Request Management systems, Customer service processes, document management and customer relationship management)
- Review award systems and human resources allocations
- Validate the financial statements and assumptions of each Council's Fit for the Future submission to conduct accurate modelling.

During any merger process, the following strategies should be implemented as soon as possible by any new entity:

- Appointment and resourcing of a skilled transition management team
- Published explanation of the proposed future rating structures (with worked case examples).
- Agreed service levels and allocation of resources to maintain existing service levels (as a minimum)
- Funding for staff engagement, leadership skills development, creation of a positive professional customer centric culture and business process improvement
- An agreed Asset Management strategy (including standardised values and assumptions)
- An agreed customer improvement strategy, including improved customer relationship management, knowledge management and on-line services.

Social and community context - Social and economic development issues are often regional challenges, operating across local government areas. Rockdale has traditionally dealt with these issues through regional collaboration, diverse staff skills sets and judicious engagement of consultants.

While many State programs focus on housing provision, Councils such as Rockdale have already engaged in addressing perhaps equally important issues of employment, economic, social and transport congestion that extend well beyond our existing geographic boundaries. Key activities in this area would provide appropriate demonstration by councils towards some of the largely undefined aspects of strategic capability criteria.

#### **The appropriateness of the deadline for 'Fit for the Future' proposals**

Rockdale City Council has expressed concerns around the Fit for the Future timeframes since release of the reform package in September 2014. As scale and capacity are the threshold criteria when responding to Fit for the Future, completion of our proposal proved extremely challenging without clear indications of the minimum, acceptable levels for scale and capacity.

The Fit for the Future blueprint and recommendations did not provide adequate guidance on how to address the recommendations to merge when neighbouring Councils were 'unwilling' to explore the recommended merger opportunities.

This was further exacerbated with the very late release of the IPART methodology for assessing Council's Fit for the Future proposals. The final methodology was released 5 June 2015, less than four weeks prior to Fit for the Future submission deadline.

In relation to the NSW local government election scheduled for September 2016, Council has further concerns around the timing of the Minister's decisions on Fit for the Future. The Blueprint indicates that the Government will assess the progress of Councils in taking the necessary steps to become fit for the future towards the end of 2015.

IPART has indicated it will advise the Minister in October 2015. Assuming the Minister's decisions will be announced regarding potential mergers in December 2015, this leaves a nine month window for Councils to plan and establish the new Council entity and put in place a strong governance framework in time for September 2016.

In the Fit for the Future blueprint, the Government states:

*"In time for the next local government elections in 2016, the Government will:*

- *Amend the legislated role of councillors and mayors to provide greater clarity generally in accordance with the Panel's recommendations*
- *Introduce minimum two year terms and compulsory voting in mayoral elections for mayors elected by councillors, to facilitate leadership stability"*

Pending the Minister's decision to force amalgamation, consideration should be given to extending the process, or at least resourcing the new entity to undertake significant research and planning work.

**The role of co-operative models for local government including the 'Fit for the Futures' own Joint Organisations, Strategic Alliances, Regional Organisations of Councils and other shared service models, such as the Common Service Model**

The ILGRP final report recommendation for Rockdale City Council included consideration of a Joint Organisation combining the St George Councils with Sutherland Shire Council. Joint Organisations were then 'removed' from consideration for Sydney Metropolitan Councils under the Fit for the Future program.

Rockdale City Council would support the development of a sound business case for a Joint Organisation through a model that provides for:

- Membership of a regional group determined by Councils
- An effective Council of Mayors governance model
- Sub regional groups or Joint Organisations as described by the panel, but without the detailed prescription suggested by the Panel.
- The state government entering into a 'compact' with local government, specifying the obligations on both sides in relation to intergovernmental relations. In particular, the government would commit to agreed protocols governing consultation on policy and planning, including an undertaking that consultation would take place primarily through the Councils of Mayors.

This solution could build on what is currently the best of regional collaboration with a number of key enabling legislative changes and mutually agreed changes to intergovernmental relations between the State Government and its agencies and local government. It is recognised that joint organisations are not without governance challenges, but these could be addressed with a more comprehensive governance model.

Thank you for the opportunity to respond.

Yours sincerely

Meredith Wallace  
General Manager

3 July 2015