

**Submission
No 88**

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: NSW and Sydney Business Chambers

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The Hon. Paul Green MLC
Chair
Inquiry into the 'Fit for the Future' Reform Agenda
Parliament House
Macquarie Street
Sydney NSW 2000

Via email: gpscno6@parliament.nsw.gov.au

Dear Mr Green,

Fit for the Community? Inquiry into the 'Fit for the Future' Reform Agenda

The NSW Business Chamber and the Sydney Business Chamber (jointly "the Chambers") welcome the opportunity to provide a submission to the General Purpose Standing Committee No 6 Inquiry into the Fit for the Future reform agenda.

About us

As you may be aware, the NSW Business Chamber (NSWBC) is one of Australia's largest business support groups, with a direct membership of more than 18,000 businesses, providing services to over 30,000 businesses each year. Tracing its heritage back to the Sydney Chamber of Commerce established in 1825, NSWBC works with thousands of businesses ranging in size from owner operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises. NSWBC is a leading business solutions provider and advocacy group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade and business performance consulting.

The Sydney Business Chamber (SBC) is a division of the NSWBC and represents Sydney's leading corporations. The SBC advocates for Sydney to be a competitive and sustainable global city. The SBC strives to identify, develop and promote the major issues that contribute to economic activity and growth in Australia's only global city, Sydney.

Introduction

The Chambers have been consistent and vocal advocates of the need for local government reform across NSW and in particular within Sydney.

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incorporates

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- Australian Business Lawyers & Advisors
- Australian Business Recruitment Solutions
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The Chambers' Red Tape Survey consistently identifies local government as a complex and difficult regulator to deal with. Our most recent published results indicate that 41% of businesses in NSW rated local government as very or extremely complex when acting as a regulator¹. Member businesses consistently raise concerns on the inconsistency of regulation between councils, the capacity of councils to plan strategically and the lack of professionalism from elected council officials.

While it is recognised that reform of the local government sector requires more than changes to council boundaries, structural reform of the sector is absolutely necessary. Due to their key differences, structural reform should be different in terms of metropolitan and regional councils – however change should and must occur.

As identified by the Independent Local Government Review Panel (ILGRP), with changes in demographics, increasing demands on local infrastructure and a much tighter fiscal environment for governments generally, maintaining 152 local councils in this state is simply not feasible.

Linked directly to this, it is the Chambers' strong view that unless the role of local government is to maximise the number of politicians across the state, it is impossible to justify why NSW needs 1,475 councillors – 283 more than Victoria and Queensland combined.

Sydney's local Governance structures have largely been 'snap frozen' with a patchwork of 41 council boundaries for more than 50 years.

The current governance structure of 41 local councils is simply failing to support the needs and aspirations of a modern and growing city. Council numbers must be reduced to ensure that the quality of services and delivery of infrastructure to the community is maintained.

In regional NSW, councils' role as a key generator of employment and economic activity countered by financial capacity constraints and skills shortages means that a different approach to structural reform is justified.

While some amalgamations within regional NSW (small rural councils) will be ultimately necessary, in the main, the Chambers have welcomed the proposals around the Joint Regional Organisation model under the *Fit for the Future (FFTF)* reforms and believe such a platform of co-operation (provided that their functions are corporatised under s.358 of the *Local Government Act 1993*) would address many of our concerns in relation to the operations of regional councils generally.

¹ See

<http://www.nswbusinesschamber.com.au/NSWBC/media/Misc/Policy%20Documents/Surveys/2013-Red-Tape-Survey.pdf>

What is clear is that following more than four years of debate and discussion within the local government sector, the time for reform is well and truly now. We believe that the Destination 2036, Independent Local Government Panel, Local Government Acts Taskforce, Fit for the Future and IPART review processes have provided councils and the community ample opportunity to engage on what they want to see from a modern local government sector. We now need to move forward in developing new councils that reflect and support the needs of our growing and diverse community.

Response to the Terms of Reference

We note the broad terms of reference provided to the committee for this review and as noted above, the significant amount of consultation that has already been under taken on local government over the past four years. The Chambers have engaged in many of these discussions and its submissions are freely available on the NSW Business Chamber website².

We would be pleased to expand our discussion on issues during hearings with the Committee. For the purposes of our written submission we have however focussed on the following issues:

(d) the scale of local councils in New South Wales,

(g) costs and benefits of amalgamations for local residents and businesses,

(n) protecting and delivering democratic structures for local government that ensure it remains close to the people it serves,

The scale of local councils in NSW

As identified in the SBC's 2009 report, prepared by KPMG, [Sydney First – Governance Arrangements for Sydney's Local Authorities](#), while efficiency gains can be achieved through the merging of councils, it is merged councils' increased strategic capacity and scope that provide the greatest benefit from structural reform. To demonstrate strategic capacity, councils need to be able to show that they are financially sustainable, have access to a strong skills base and that they are an effective partner with other councils, state and federal governments and government agencies.

Accordingly, we are in broad agreement with the assessment criteria to assess scale and capacity provided by the IPART. We have however suggested that a target number of councils for Sydney of between 6-10 be used in the assessment to ensure that scale, capacity and equitable balance are achieved across the metropolitan

² See <http://www.nswbusinesschamber.com.au/Advocacy/Policy/Local-Government-and-planning>

area. Six to ten councils in Sydney would align generally with the Metropolitan Strategy's sub-regions and allow for a higher level of co-operation and co-ordination on strategic planning priorities between state and local governments.

It should be emphasised however that even if a merged grouping of councils achieves FFTF status, further analysis should be undertaken to see whether additional Sydney councils might be beneficially merged with the group. The target of reform of local government in Sydney should be to achieve scale and capacity wherever it would be worthwhile. However, it's obvious from the response to the FFTF package from councils already that it simply can't be left to the political imaginations of councillors themselves to achieve it.

In regions, we believe the development of the Joint Regional Organisation model and an examination of the role (and partnership) of these bodies with Regional Development Australia³ would be appropriate mechanisms to achieve scale.

Costs and benefits of amalgamations for local residents and businesses

As stated in the SBC's [2009 report](#), some of the key benefits of amalgamation beyond strategic capacity (and improved infrastructure management) from reforming local government in Sydney include:

- Streamlining back office administrative functions, such as IT systems and payroll functions;
- Reducing governance and administration costs due to a reduction in the number of senior management and councillors;
- Reducing charges for businesses and consumers due to more efficient processing of services;
- Improve regulation and regulatory practices; and
- Greater capacity for councils to attract and retain skilled management and planning staff.

Sydney presently has 474 councillors compared to 274 councillors in Melbourne and 26 councillors in Brisbane.

As the 2009 report identified, if the number of councillors in Sydney were to be reduced by 200 (putting Sydney in line with councillor numbers in Melbourne) this would lead to a \$3.5 million per annum saving for local government to be sensibly reinvested back into the community.

³ See the Chamber's suggestion in aligning RDA and JRO functions outlined here: <http://www.nswbusinesschamber.com.au/NSWBC/media/Forms/140115-Letter-to-A-Stoner-Reform-of-RDA-structure.pdf>

We have suggested that upon councils merging measurements of these specific benefits be developed for the first five years of the reformed councils' operation to ensure value is being maximised for the community and that councils remain sustainable over the longer term.

We have noted in our submission to the IPART Review that the FFTF Criteria and Measures included in the methodology provide a good basis to assess councils. However, the efficiency measure captures operating expenditure only, and not capital. The 2012 Property Asset Utilisation Taskforce⁴ found that public assets are chronically underused in NSW and there is a lack of positive incentives to improve performance. We suggest the inclusion of an additional measure to capture the utilisation of councils' current capital stock to provide an incentive for improvement.

While we acknowledge that there are costs associated with bringing councils together through amalgamation, we believe that these costs can be managed through a staged transition into the new single entity.

Challenges associated with harmonising different organisation culture, working conditions, operational and governance structures, council rates etc. can be effectively overcome by an appropriate transition period of up to 5 years for amalgamations. Best practice examples can be harnessed from successful private sector mergers, and the skills and experience of professionals working in mergers and operational integration should be utilised.

The Chamber's believe that the JRO would provide similar benefits for businesses in regional NSW to those benefits drawn for businesses in Sydney from amalgamations in Sydney. Regulatory consistency and the greater capacity for councils to jointly recruit and retain professional staff would be two key benefits of the JRO model.

Protecting and delivering democratic structures for local government that ensure it remains close to the people it serves

The Chambers believe that far from removing democracy from local communities, by utilising different models of community engagement and representation, the amalgamation of councils within Sydney can serve to strengthen the ability of communities to engage, debate and direct decisions. It's also incorrect to frame the current system of local government as somehow an ideal in terms of democratic representation. The SBC's 2009 report correctly pointed out there is vast inequality in terms of councillor representation across the 41 Sydney councils.

⁴ <https://www.procurepoint.nsw.gov.au/sites/default/files/documents/paut-report-final-nov12.pdf>

As at 2009:

- Hills Shire Council has one councillor for every 13,987 residents;
- Blacktown council has one councillor for every 18,801 residents;
- Hornsby council has one councillor for every 15,725 residents;
- Liverpool council has one councillor for every 15,822 residents;
- Parramatta City council has one councillor for every 10,265 residents;
- Sydney City council has one councillor for every 16,259 residents;
- Willoughby City council one councillor for every 4,789 residents; and
- Woollahra council has one councillor for every 3,562 residents.

Unless defenders of current council boundaries are suggesting that we should create further smaller councils, or dramatically increase the number of councillors in Sydney, the only sensible route is to increase the size of councils to bring these ratios into line so that residents and ratepayers receive roughly equal councillor representation regardless of whether they live in Blacktown, Bondi or Woollahra.

By amalgamating councils in Sydney, a higher level of councillor remuneration (including full time salaries) can be justified reflecting the greater responsibilities these officials will have in guiding the shape of our city. Attracting and supporting a more diverse group of candidates to positions of local leadership should be pursued. It is the Chambers' view that the current structure of local government and the lack of full time salaries contributes significantly to a lack of representation from younger community leaders, especially women. Indeed only 27% of NSW councillors are women (compared to 51% of the general population)

It should be noted that additional local governance structures can be developed to support appropriate "placed based solutions" under an amalgamated council. The Chambers note the experience of Auckland Council in pursuing such an approach through the development of a number of local boards - with responsibility for issues such as recreation space management and public space activation projects. Similarly, the Chambers note the experience of the New Democracy Foundation in working with Canada Bay Council in developing a "citizen's panel" to improve community engagement as appropriate localised decision making structures.

An additional reform to support equality of representation is that councillor numbers should be standardised across the state to a maximum of 7 councillors per local government area. Anecdotally, the Chambers are aware that councils with greater numbers of councillors have a higher rate of absenteeism.

The Chambers would also suggest that initiatives are needed to improve information about candidates in local government elections. Far too often, candidates fail to provide contact information reducing opportunities for the press and the public to assess their suitability for office. Ballot papers often fail to properly disclose political affiliation, with many candidates standing as "independents" while still being a member of an established political group.

As the Chambers put forward to the Local Government Acts Taskforce⁵, we strongly support requirements being introduced for all candidates to disclose information on their skills, experience and political affiliations to allow community members the opportunity to be properly informed when casting their ballot.

While we support the development of the JROs, the Chambers do note the concerns of regional stakeholders in relation to how voting rights are allocated between composite councils under this model. With some regional centres having a population spread of around 80:20 between the major centre and other areas allowing councils to have equal voting rights without reference to centres of population may give rise to situations where smaller councils block decisions that could benefit the majority of people living within the JRO area. Further discussion on this and other governance arrangements for JROs should be a subject for further consideration by stakeholders.

Conclusion

The current structure, size and function of local government in NSW fails to reflect the needs of our modern, diverse and growing community. It's natural, that as a community grows and changes, governance structures similarly move and adapt.

Reform is a natural consequence of change and should not be avoided for the benefit of established political self-interest.

Reducing the number of councils in Sydney, creating more equal democratic representation across the City and providing a more effective means for regional and rural council collaboration will help local government play a more effective role in supporting and building our communities and our state.

Please feel free to contact
discuss these matters further.

if you wish to

Yours sincerely,

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⁵ See

<http://www.nswbusinesschamber.com.au/NSWBC/media/Misc/Policy%20Documents/Local%20govt/130627-Joint-Submission-LGAT-A-New-Local-Government-Act-for-NSW.pdf>

