

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Urana Shire Council

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**Becoming Fit for the Future - Putting our Communities first.....****Response to the NSW Upper House Parliamentary Inquiry in Local Government in NSW****5 July 2015****Summary**

Council appreciates the opportunity to provide a response to the NSW Upper House Parliamentary Inquiry into Local Government in NSW. Council was pleased to learn that the Fit for the Future process was to form part of a wide ranging inquiry into Local Government in NSW. Council is aware of the need for the inquiry to be undertaken in a timely manner; however Council is concerned at the extremely short time frame proposed, for an inquiry into such a complex industry. It does however understand that the Fit for the Future announcements being made in October 2015, is the key driver to finalise this inquiry in the time frame stated.

Council welcomed the intentions of the State Government to respond to the concerns of the Local Government Industry. Concerns mostly in relation to improving the revenue raising ability of Councils, and the associated issues of Long Term Financial Sustainability. It has however become very clear, that as the process has rolled out, particularly towards the final stages with the release of the 'Fit for the Future' package, that there has been a significant departure from the intent and recommendations, from the Final Report of the Independent Local Government Review Panel (the Panel). Refer to the submission by former Panel Chair, Professor Graham Sansom, to the IPART proposed Methodology on Fit for the Future, for just a brief outline of his thoughts on where the Fit for Future, has departed from the Final report intentions. There have also been other significant issues with the roll out of the Fit for the Future process, explained in more detail further in this submission.

There has been a strong focus on amalgamations/mergers of Councils, and the Government when challenged on this, often says things like the industry asked for this review. This is only partially correct. The Destination 2036 meeting held in Dubbo in 2011, was all about a request to the Government, to address the longer term issues of Financial Sustainability. In regards to mergers, the terms of reference for the Panel, were to only look at 'barriers to mergers'.

Of course, after the overall reform process, and the many valuable, non-structural recommendations of the Panel are implemented, i.e. after getting the benefits (once justified) of the many other positive things in the Panel's final report, including access to further funding, advantages of the Joint Organisation (JO) proposals etc., mergers should come for those Councils who are still found to be unsustainable.

Urana Shire Council was given two options in the Panels structural recommendations, with one being to merge with the much larger and intrinsically different, Corowa Shire, and the



other option being to become a Rural Council. The delays in the release of the Rural Council model, and ultimate departure from the Panels ideas for Rural Councils, are some of the main examples of defects in the timing and structure of the roll out of this process.

Notwithstanding this, Council feels the State Government has gone to significant lengths to consult with Councils through this process, and hence, such efforts on both parts (Councils and the State), should not be wasted by hastily forcing amalgamations for Councils who are found to be 'not fit' as a result of the Fit for the Future assessment process.

Terms of Reference for the Parliamentary Inquiry into Local government in NSW:

1. That General Purpose Standing Committee No. 6 inquire into and report on local government in New South Wales and in particular:

a) the New South Wales Government's "Fit for the Future" reform agenda;

Council considers that the Government has not truly fulfilled the intentions of the Panel's recommendations in a way that does the Panel's final report justice. Council appreciated that there was a significant investment by the State Government into the Panel; however this also included a significant investment of all Councils time in attending the many consultation sessions on the work of the Panel, and later, the Fit for Future sessions. This alone justified the need for a better managed process. Whilst it cannot be argued that there was not ample consultation, and that the Office of Local Government staff were very supportive in the process, it is clear that the agenda does not align with the intent of the Panel's report, including for example, to form more groups to work forward some of the concepts into actual models.

b) the financial sustainability of the local government sector in New South Wales, including the measures used to benchmark local government as against the measures used to benchmark State and Federal Government in Australia;

Clearly, the State and Federal Governments could not come anywhere near meeting many of the benchmarks under the Fit for the Future ratios. As an example, the thousands of metres of un-maintained and un-used railway lines across the State, are an example of where even the State Government cannot (realistically) maintain all of its assets. The scrap metal value alone, of many of these lines that have no likelihood of every being re-opened, would go a significant way towards improving the conditions of some of the State owned (Council managed) roads in rural areas. Council recognises there was a need for urgent action to be taken to address the longer term financial sustainability issues, and feels that the Fit for the Future process, has made Councils actively review their data, and prepare financial projections that more accurately reflect the position of assets within Councils. Hence Council has seen value in the overall process, as evidenced in Councils Fit for the Future



application, as it now has a clear way forward to addressing the longer term financial sustainability issues, and it is accepted by the Community.

c) the performance criteria and associated benchmark values used to assess local authorities in New South Wales;

It is accepted that the State Government (and Local Government) need strong Councils, however the performance of Councils over the past 100 years, shows (excluding the ridiculous situation with vastly different depreciation levels and backlog assessment judgements) shows, that with very few exceptions, Councils are in the main providing effective, valued and respected services. Councils are particularly respected in rural areas, where they are maintaining assets well, within the limited funding available.

With the recent changes to allow rural Councils greater time to achieve the benchmarks, and allowing the Federal Government Assistance grants to be included as Own Source Revenue, Council feels that the criteria, excepting scale and capacity, and excepting the expected decrease in operational expenditure over time (even in Councils with declining population) are acceptable.

d) The scale of local Councils in New South Wales;

A further issue with the process is that, again in a departure from the Panel's final report, the 'Scale and Capacity' concepts of the Panel were given falsely elevated precedence. So much so that they have become 'Criteria/Benchmarks' and further, that IPART have made them the 'threshold' test over and above all of the Financial ratios. The obvious issue is that Scale and Capacity are not measurable in quantifiable terms, at least not so when the Government has refused to state a minimum population threshold for example, of what a Council needs, to have sufficient Scale and Capacity.

The Government are aware that there are some already very strong examples of Councils collaborating to achieve greater Scale and Capacity. The REROC model, (now also funded to be the pilot Riverina JO), is one of the best examples. Urana Council has been a founding member of this organisation, yet in the Panels final report, was proposed to form part of a smaller Upper Murray JO, which would have effectively fractured, or made it far less efficient, to continue the many important strategic links to the Wagga region.

The Panel and Government agreed that one size does not fit all. There is also the valid point, that Local Government needs to remain 'Local' and by regionalising Councils into larger units, this effectively takes away the value that smaller Councils provide, into away local place making input and representation. Why go and then create other models, such as local Boards and the like, to replicate what is already in place and working. Council appreciates the Government wants to deal with less Councils, on broader strategic issues, however the JO's are the vehicle for this, without the need for amalgamations.



e) the IPART role in reviewing the future of local government in New South Wales, assisted by a South Australian commercial consultant;

Council respects the fact that IPART, through their work in assessing special rate variations, and in other work with Councils, has a good understanding of Local Government. Council does question the ability of IPART to fully grasp the issues associated with efficient service provision to smaller rural areas. Council also respects the appointment of John Comrie, as a Local Government experienced professional from South Australia, however felt this could have been strengthened with some professionals from within NSW also.

Perhaps as another example of the issues with the timing of the process was the fact that IPART itself, in 2014, were only giving around 14 days, to assess the suitability of these benchmarks.

f) The appropriateness of the deadline for “Fit for the Future” proposals;

The deadlines would have been satisfactory, HAD the information, including templates and framework, i.e. the methodology of assessment, and process with which to submit, and the Rural Councils ultimate shape, been ready far earlier, for example in mid-2014, and not March/April/May 2015. As it turned out, the deadlines made it difficult for Councils to fully consider all options. Notwithstanding this, it is noted that all Councils have complied with the deadlines, which is a credit to the commitment of Councils to this process.

g) Costs and benefits of amalgamations for local residents and businesses;

It is clear that from Councils own Fit for the Future Community Engagement Outcomes report, see Councils Fit for Future Application on IPARTs website, Attachment B, that a very strong section of the Urana Shire Community (over 80%), do not feel that mergers will benefit this Community, and further, that the very likely knock on negative effects to the local economy will be devastating.

h) Evidence of the impact of forced mergers on Council rates drawing from the recent Queensland experience and other forced amalgamation episodes;

There are many examples in Queensland, where smaller Councils were left out of the merger process, such as Longreach, Blackall-Tambo, Barcaldine, Murweh, Quilpie, Barcoo and Winton among others. This is likely due to the effect that they were performing well and possibly due to the social and economic importance of retaining these Councils. There are also examples such as Port Douglas/Cairns, where Councils have been willing to self-fund, costly de-amalgamations, due to the issues associated with the mergers.

Despite it being over 20 years since the forced mergers in Victoria, the newly elected Victorian Labour Government has a policy to introduce rate pegging, due to the issues with ever increasing rates in those Victorian Councils. Despite Victoria being reduced to 70 or so



Councils, from the original 220, there doesn't appear to be any great savings made. Of any made, at what cost has this been to many of those smaller Communities, particularly in North Central and Western Victoria, which relied on those smaller Councils.

i) Evidence of the impact of forced mergers on local infrastructure investment and maintenance;

There are also examples in NSW, such as the nearby Greater Hume Shire Council, who although being a very well managed Council, have still had to apply for rate increases above the rate cap, in order to address growing infrastructure finance issues. Clearly, despite the forced mergers and boundary realignments that occurred in 2004 to form the Greater Hume Shire, after ten years, whilst the overall services and performance of the new organisation is probably superior to those former Councils, there were no significant efficiencies gained of any amount to create downward pressure on rates.

j) Evidence of the impact of forced mergers on municipal employment, including aggregate redundancy costs;

A report prior to the recent NSW State election, by the Parliamentary Budget Office, proved that the mergers will cost as much, or more, than the incentive funding on offer. Whilst the Government is correct in often stating that the incentive money offered to merge is more than WA, Vic and QLD offered, the question still begs, is it worth it? The staff in the smaller Communities, not only leave the Council; they leave all of the other roles they often play in these Communities, including taking partners and children with them, in search of other employment. Council has the majority of its staff, all living within the Shire. In a new larger Shire, containing many larger towns than those within the current Urana Shire, it is very likely that over time, there will be a shift towards most new staff choosing to live in the larger towns.

k) The known and or likely costs and benefits of amalgamations for local communities;

Council considers its role, as the smallest populated Council in the State, as even more crucial in maintaining assets, services and representation for this area. Council has strategies in place to address population decline, and due to the fact that it is not isolated and in Far Western NSW for example, where distance is an issue, considers that the future is positive. The upheaval associated with mergers, for example in the rearrangement of Community Groups/Committees, under a new structure, will be enormous. The costs spent on resolving these matters, even if for similar or greater outcomes, will be significant. The Panels research work, looked at South Australia, New Zealand, and the United Kingdom, for examples of how to 'replace' smaller Councils, with Local Boards and the like, to still allow for place making representation. The research indicates there is no simple answer, thus again; the best outcome is for small Rural Councils to remain, and for the 'Scale and Capacity' issue, to be addressed by way of the JO's.



Council has repeatedly stated that if it were to be able to see a clear case of why a merger would be better, it would strongly consider this, but it believes that unfortunately this is not possible, because the benefits do not exist.

l) 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 future especially for those Councils such as the members of REROC/Riverina Pilot JO is very bright in terms of improving its ability to collaborate. The Government has stated that its agencies will look to the JO's as the preferred vehicle for regional/cluster of Councils type forums, including for service delivery in some cases. Council has no issues with this being strengthened in the future, and as an example, sees great merits in more transport funding and planning decisions being made at the JO level. This is already occurring, prior to Fit for the Future, in the areas of Transport and Waste Management, as two recent examples.

m) How forced amalgamation will affect the specific needs of regional and rural councils and communities, especially in terms of its impact on local economies;

As outlined earlier, the Council and Community envisage that mergers will create a devastating impact on the local economy. The knee jerk reaction and fear factor associated with the Council being amalgamated into a much larger entity would in itself likely create panic selling of houses and Businesses.

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

This is a key point, as one on hand to state that Councils need greater ‘Scale and Capacity’ could also be contradictory to the term ‘Local Government’. Council understands that the State needs strong regions, but this should not be at the detriment of the smaller Rural Communities who rely on their Councils. Local Government on a small rural level is a tried, tested and respected model for ensuring local representation, Community involvement, and the needs of people are met.

o) the impact of the “Fit for the Future” benchmarks and the subsequent Independent Pricing and Regulatory Tribunal performance criteria on Councils’ current and future rate increases or levels; and

Council, through its Fit for the Future work, including its Business Case, does not feel the ratios (other than Scale and Capacity) are overly onerous, now that the Financial Assistance grants are to be included in Own Source Revenue. Council feels this entire process has been of great value, despite the uncertainty associated with merger threats, as it has given the Council a clear road map towards achieving Financial Sustainability (essentially funding depreciation). Due to the thresholds set however, and consistent with Council undertaking



true and ethical accounting, including maintaining realistic depreciation levels, Council has had to model 4 years of 10% rate increase, to achieve the required levels. Council however feels this was always going to be needed, as a one off correction, to adjust for years of rate pegging levels that could not keep pace with other costs and increasing services provided to the Community.

Conclusion

Council urges the Inquiry to seriously consider the responses and provide recommendations that will assist the State Government in ensuring that there are some genuine agreed actions to be taken, in order to put in place, many of the positive recommendations from the final report of the Panel. Unfortunately forced amalgamations of Councils, if some do not classify as being 'Fit for the Future', will not be an effective way of ensuring the social and economic fabric of the smallest Rural Communities is preserved. It will not do justice to what until now, has been a genuine willingness by the Local Government sector, to embrace changes provided the benefits are clear for all to see.