

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Clareville and Bilgola Plateau Residents Association Inc
(CABPRA)
Name: Mr David Owen
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The Director
General Purpose Standing Committee No 6
Parliament House
Macquarie St
Sydney NSW 2000

23rd June 2015

Dear Sir,

Inquiry into Local Government in New South Wales

The Clareville and Bilgola Plateau Residents Association (CABPRA), representing 1200 households in the Pittwater Council LGA, make the following submission:

1) Bigger is not Better

An underlying premise of the Fit for the Future (FFF) and IPART evaluation process of scale and strategic capability is that large councils are more effective and efficient than smaller ones. This we refuse to accept.

No evidence has been supplied by the NSW Government supporting this proposition leaving all residents to believe the process is flawed and a underhand mechanism to achieve new developer friendly planning regulations and more politically compliant (as opposed to resident reactive) councils.

There is much evidence here and abroad that mega Councils such as those being proposed by LGRP are less efficient than medium size Councils.

- International research and domestic experience tell us that councils between 40K and 75K residents are the most efficient and effective.
<https://pittwaterforever.wordpress.com/pittwater-is-fit/bigger-councils-cost-more-rates-will-go-up/> and <https://cabpra.wordpress.com/pittwater-fit-for-the-future/pittwater-obese-is-not-fit/>
- An academic study comparing mega council Brisbane City Council (BCC) with other NSW and Queensland councils, including the City of Sydney (COS), across four key financial indicators has cast further doubt on the value of the NSW government's amalgamation agenda. "In sum, our financial analysis of BCC casts considerable doubts over the continuing mantra that 'bigger is better' in the context of contemporary Australian local government," said the report. "Employing standard measures of financial sustainability, we found that between 2008 and 2011, the three comparison groups consistently 'outperformed' the BCC in key areas of financial flexibility, liquidity and debt servicing ability."
<http://www.governmentnews.com.au/2015/06/brisbane-city-council-further-proof-biggest-not-always-best/>
- Many smaller and medium size councils, particularly metropolitan ones, are very efficient and highly valued by their resident e.g. Pittwater LGA. Also mega Councils are less

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responsive, more open to political/developer bias, less in touch with their communities. Pittwater Council has an ideal size at 62K residents

- The average population of local councils in OECD countries is 27.2K whilst the average size of Sydney based councils is almost 4 times that number at 104.5K. i.e. Sydney councils are already vastly bigger than the global average. <http://www.smh.com.au/nsw/parliamentary-inquiry-into-fit-for-the-future-council-amalgamations-could-cause-delays-20150526-gha23h.html>
- Two independent reports by the eminent local government specialist Prof Brian Dollery found a merger of the three Northern Beaches Councils would not improve financial sustainability, Ref: <http://www.smh.com.au/nsw/no-evidence-that-local-government-amalgamations-will-improve-performance-20150504-1mzezy.html>, and
- Quoting Professor Dollery : “Notwithstanding the dearth of empirical evidence, the belief that ‘bigger is better’ is so entrenched in the psyche of local government policy makers that forced amalgamation has been repeatedly used in Australia and abroad in an attempt to enhance local government efficiency.” (Dollery et al. 2008, 2012).

Even if one accepts that the broader NSW State Government’s agenda is primarily to improve metropolitan governance, planning and management, then that requires councils to have strategic capacity only **NOT** necessarily scale/size.

2) Merging Councils is Costly, Risky and Highly Disruptive

Again the NSW Government has released no evidence showing that Councils amalgamations are beneficial or that “bigger is better”. Merging councils is an expensive messy business. Putting in place new IT systems, work practices, new offices, staff transfers, redundancies and changed cultures is time consuming, soul destroying and non-productive.

Merging Councils is full of economic, social and political RISK. e.g. QLD, VIC, NZ. The forecast costs of merging are usually underestimated – by a very large amount – and the savings generally do not materialise, with the ratepayers picking up the costs. Refer to case studies above and below.

When Premier Jeff Kennett sacked councils across Victoria in 1995 nearly 11,000 people lost their jobs, local assets like community centres and public buildings were sold off. Later data from the Australian Bureau of Statistics shows almost no money was saved in the process.

In New Zealand, seven of Auckland’s councils were amalgamated into one. The process took more than 3 years, cost nearly \$100 million and Auckland has debt of \$3 billion which is forecast to blow out to \$12 billion over the coming decade – that’s \$6000 for every resident!

Quoting Professor Dollery: “A common theme that has emerged from these official public inquiries is that the continued use of forced amalgamations as the preferred policy instrument has failed to address the seemingly intractable financial problems facing local councils across Australia (in particular rural and remote councils).”

The terms of reference of IPART and therefore the IPART process itself relies on data supplied by Councils. There is NO requirement on IPART to test or query the veracity of Council data in particular claims of benefits arising from amalgamation, cost reductions, improvements in financial **and** non-financial benchmarks, rationalisation costs, reasonableness of all assumptions etc. NOR is there any requirement to apply risk analysis or variance analysis to the data. Given the scale of the

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amalgamations being proposed this is a major omission and could lead to huge hidden costs, major timescale blow outs and political turmoil.

In the Pittwater LGA rates would almost certainly go up by between 8% and 12% in an amalgamation model, with greater risk of rate income being spent outside of Pittwater.

3) No Forced Amalgamations

There are some words written in the IPART process about community consultation but nothing about a proposal requiring the (majority) support of the community to be accepted. Community support for an option is the most important aspect. More so than scale and capability, financial measures etc. Community support for an option should be **the starting point** in the evaluation process. In particular amalgamation should only be considered if supported by the clear majority of the community. The IPART process puts community interests **last**. Where is the democracy in that?

Irrespective of size, financially viable councils who have the clear support of their community should NOT be the subject of forced amalgamations. E.g. Pittwater

4) Independence

Local government is an essential component of democracy and any changes should strengthen, rather than weaken, the bonds and connections between local councils and residents.

Mega Councils tend to erode social and community benefits, and increase the opportunities for undue influence and corruption. Mega councils will mean bigger election campaigns and a greater need to raise funds that only the major parties can afford. Local government elections have lax rules with no donation caps and inadequate disclosure requirements, this despite Council's ability to deliver massive private benefit. There is therefore a huge risk that a Mega Council will become dominated by political and developer interests.

In Pittwater all councillors are independent of political parties and developer interests. That is what the residents here love, respect and expect.

5) Benchmarks

What matters to ratepayers is effective service delivery over a huge range of services.

- However there is NOT ONE SERVICE oriented benchmark being used to evaluate FFF submissions. E.g. Customer satisfaction surveys, problem responsiveness. The only benchmarks are financial. This makes a REAL MOCKERY of effective service delivery.
- There is NO mention or evaluation of the Council's ability to manage the environment e.g. parks and reserves, coastline, waterways, climate change. – A huge concern to residents
- There is NO mention or evaluation of the Council's ability to manage other key areas of concern to residents such as active transport, planning and development, waste management etc.
- There is little evidence that the social, cultural and historical context of a Council's position will be taken into account e.g. Pittwater was formed only 23 years ago specifically to address and serve the unique, sensitive aspects of the area.

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In summary the issues which concern the residents are community, environmental, cultural, independent, local and democratic values. The IPART process, driven by financial benchmarks and outcomes, effectively shuts the residents out of any balanced evaluation process.

6) Regional Co-operative Models

IPART has stated (page 35 of their Assessment Methodology) that in the Sydney Metropolitan Area Joint Organisations, Regional Organisations (ROC's) or other shared service models should not be used to determine whether a council is "Fit for the Future". Rather amalgamations should be considered in the first place. This makes another mockery of the FFF/IPART process. Scale can sometimes be better obtained by outsourcing services that exhibit economies of scale to either a Shared Services Centre or a large Private or Public Services Provider specialising in such services. Merging councils is not the most effective way of obtaining scale.

For instance SHOROC capitalises on economies of scale in the Northern Beaches region and its role has expanded to encompass advocacy and planning in Regional transport, health, environment etc. – all without amalgamation. Last financial year collaboration via SHOROC gained our region \$644M in funding for public transport and roads, including \$233 million for public transport and \$411 million on roads. It also secured \$129M for health services. Plus SHOROC won the PIA's President's Award for excellence in planning.

Regional Organisations are extremely important to the effectiveness and efficiency of smaller/medium sized councils.

7) The FFF and IPART Processes are Divisive

The sound goals of making local government "fit for the future", stopping the current haemorrhaging of \$Mill across the state and implementing sound evidence based reforms, has been lost because of the draconian and divisive implementation process. This has pitted resident against resident, councillor against councillor, resident against councillor, council against council and everyone against the state government. The cause of this divisiveness include the fear of forced amalgamations, fear of developer interests, loss of service, loss of identity and loss of resident influence.

We watch the tremendous efforts being made by our councils to resource their FFF business cases as well as maintain effective service delivery. \$Mill's of resident money are being spent on a very broken, rushed, destructive, counter-productive, expensive and divisive process.

8) Recommendations

CABPRA makes the following recommendations based on the key issues addressed above:

1. There must be no forced amalgamations. Where councils are financially viable and have the clear support of the community then they must not be forced to amalgamate.
2. Friendly amalgamations between councils can be approved but only if there is clear community support from **each of the separate** council communities. Also there must exist a detailed business plan supported by evidence based assessment, due diligence, variance analysis and there must exist a phased and costed implementation plan.
3. Regional Co-operative Models, Shared Service Centres or similar must be allowed and encouraged in the FFF evaluation for the Sydney Metropolitan Area as this is the current and growing operational practice.

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4. Benchmarks must not be focused on short term financial targets but must include strategic and non-financial measures as per Section 5 above.
5. Councils that do not choose to amalgamate and are financially sound must not be penalised by having cheap TCorp funding cut off/reduced, nor planning powers reduced, nor fast track rate increase mechanisms made unavailable. e.g. Pittwater, a highly successful and financially viable council, with 89% community support to remain independent, must **NOT** be penalised for being a “role model” council.
6. There must be a moratorium to the FFF process to allow these and other recommendations to be integrated into the decision making.
7. There must be a phasing of the whole implementation of FFF allowing councils with straight forward implementation plans to proceed forthwith but also enabling more difficult cases (e.g. groups of councils) to be progressively investigated over the next few years. This will also necessitate considerable ongoing resourcing.

Yours faithfully,

David Owen
President CABPRA