

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

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**SUBMISSION FOR THE PARLIAMENTARY INQUIRY INTO LOCAL GOVERNMENT IN
NEW SOUTH WALES BY COUNCILLOR TONY BOWEN, RANDWICK COUNCILLOR
AND MAYOR OF RANDWICK (2012-2013)**

INTRODUCTION

Thank you for the opportunity to provide Submissions in relation to the inquiry.

TERMS OF REFERENCE

A serious question needs to be asked about the emphasis of Fit for the Future methodology on "financial sustainability" having regard to the function of "local" government to provide a democratic means for local communities to control their own affairs, to direct resources and support in the way they feel best. A measure of any level of government on a purely financial basis will always produce a skewed result. Financial sustainability (or responsibility) exists within a broader scope of government. The function of government is to allocate resources to provide opportunity and to support sections of society that may not be performing as well or require greater need. Ideally resources are allocated and policies implemented according to the public will as expressed through the democratic process. To judge any democratic institution on the basis of financial sustainability alone cannot do it justice. It is to judge it on a lesser part of the sum total and Local Government is no different. The problem with the Fit for the Future methodology is its overweighted emphasis within the methodology on the bottom line.

This contrasts somewhat with the report of Professor Sansom which took a more holistic approach of Local Government. Whilst I do not necessarily agree with all of the recommendations of Professor Sansom, his study contrasts with the IPART methodology for its more nuanced understanding of the role of Local Government. It is fair to ask whether Ipart can fully rely on the findings of Professor Sansom's much broader report as a basis for its assessment of financial sustainability alone.

Scale and capacity

The other aspects about the Fit for the Future methodology is the confusion surrounding the elusive concept of *scale of capacity*. At Randwick Council it was suggested scale and capacity meant a council size of 200,000 to 250,000 as a blunt benchmark. Such a blunt tool really bears no correlation at all to the concept of *local* communities or communities of interest. Simply the concept of scale and capacity is anathema to concept of localism in local government. The effect of the requirement of scale and capacity is to disengage the role of "the local" and "local communities of interest" as a valued component of local government. The effect of the requirement of scale and capacity is to deliberately elevate the consideration of the future of local government away from a grass roots, local model. This cannot be a good thing for a review of *local* government.

The effect of this can be simply demonstrated by the fact a broad geographic area with differing communities of interest may still not meet scale and capacity of population or alternately an existing council (such as Blacktown) may already exceed the proposed scale and capacity. Indeed there were comments from IPART that there was no one size fits all and that other criterion would be applied also. However notwithstanding the central concerns raised about the elusive nature of scale and capacity during the Ipart consultation period the vague delineation of the concept remained once the final methodology was set. In short for reasons that seem impenetrable a major piece of reform is being rolled out across New South Wales with the key component of that reform process (scale and capacity) shrouded in mystery and ambiguity.

The effect of the government proceeding with Fit for Future in such a confused form has caused a policy that was supposedly meant to foster co-operative dialogue on a path to reform instead to operate as a destructive tool of coercion, because if it is meant to be a process it lacks the clarity necessary to encourage participation in good faith.

The confusion surrounding this impenetrable concept of "scale and capacity" has produced a chaotic result with differing responses in the Local Government sector, for example Randwick Council's majority position (not agreed) has been adopted that scale and capacity would mean a certain figure (in excess of 250,000 residents). Whereas our neighbouring councils have not accepted this interpretation of what scale and capacity mean. This has meant there has been no agreement amongst the neighbouring councils about the fundamental parameters of this reform process. Given the government has approached Fit for Future as a self assessment process meant to foster cooperative reform between councils to have such uncertainty surrounding the foundation of the process has revealed a major flaw

The lack of specificity about what scale and capacity means has resulted in the proposed sensible discussions supposed to take place between neighbouring councils has not occurred because the councils cannot agree on they are being asked to address. The overall confusion surrounding this has created an atmosphere of uncertainty and distress to residents in Randwick. On the one hand, they are told there is a policy of no forced mergers but on the other some councils are saying they must embark on a merger process to meet this obscure concept of scale and capacity.

Major reform needs to be a transparent and rigorous process, for the good of our state, economy, workers and communities. It is unfortunate the concept of scale and capacity has remained in the methodology in this confused format. There are legitimate questions to be asked about the value of the submissions to Ipart in response to Fit for Future when they have been generated in response to an uncertain methodology.

BENCHMARK CRITERIA

It is curious that the debt capacity of councils is identified as a benchmark criteria. In recent times, an endorsement of the management skills of government was its ability to reduce or

have no debt at all. Randwick Council, for example, has been debt free for well over 10 years. However, this aspect of the Council's finances has in fact counted against it in the methodology applied by IPART and driven it towards a merger position. This feature has been subject to criticism from Tcorp.

In this regard, the role of Local Council as a creature of State Government statute is unique, in that council has authority to raise revenue (through rates) directly from its property owners and businesses to apply to local services and capital works. This gives local council a unique position in the operations of state government which otherwise has limited avenues for raising revenue directly from its citizenry. I urge the inquiry to pay particular attention to this unique revenue raising capacity of local government, particularly given the important role of rates to the states economy.

The rate raising powers of local government should not be seen as a means of generating revenue streams for the state. This revenue raising component of council operations contrast, for example, with the State Government which receives revenue mostly from transactional charges and Commonwealth funding, together with GST funding. I would respectfully suggest the committee needs to pay particularly close attention to this aspect of the Fit for the Future reform which gives emphasis to local government taking on a greater role in terms of services and infrastructure, particularly in circumstances where debt servicing is valued in the criteria. No doubt our community is extremely sensitive to the possibility of state liabilities being transferred to larger councils on the back of borrowings which would lead to increased rates, particularly in circumstances where larger councils by necessity are loss or dilution of local communities ability to direct resources.

Fit For Future suggests local government will be more about government and less about local. The IPART methodology should take a holistic approach to this as to the effect on jobs and economic activity of such an outcome for the whole State of New South Wales if, as it

seems from the Ipart methodology, that part of the assessment is to examine the possibility of liabilities being shifted from the State to the Local Government, to be paid for through increased rates and borrowings. If that is the intended outcome I do not believe our state community has been consulted. In addition I believe the Fit for Future methodology has not paid sufficient attention to community concerns and economic impact of potential job losses in the local government sector and loss or reduction of services particularly given the important function of community support that council plays.

Deadlines for Future

The deadlines for the future process were most unfortunate. From the time of the announcement of IPART conducting methodology to the close of submissions was a period of a few months. What is more, the consultation for the methodology was brief and did not permit sufficient community consultation either in relation to IPART or at the council level itself.

This played out at Randwick Council which had resolved in December to adopt a timeline to include a comprehensive consultation about what was proposed, including discussions with neighbouring council. I **attach** a copy of the timeline that the council resolved to adhere to but ultimately did not.

Randwick Council, for example, resolved that the draft resolution for any merger proposal would be placed on public exhibition for 28 days from 28 April 2015. This did not occur. It was also proposed that during May 2015 there would be a draft proposal on public exhibition in all council areas for a further 28 days and then by 23 June 2015, a joint resolution from all councils. Council also resolved to conduct a plebiscite by May 2015. None of this occurred.

What transpired was a chaotic series of events culminating in the passing of a resolution from the floor of the council without any notice whatsoever to our residents in response to a

council report which contains no recommendation from council staff as to merger proposals. For a council that has existed for over 156 years as democratic community instrument I believe this was a most unfortunate state of affairs. I **attach** a copy of the merger proposal which, in my submission, reflects some of the confusion surrounding the IPART methodology.

In addition, the inability of the council to adhere to the consultation meant that a plebiscite resolved to occur before any merger proposal has not taken place. This has caused enormous angst in our community, particularly as it means the only form of consultation for active community participation has been a survey that has been the subject of controversy, given that the results of the survey indicated that the largest proportion of our residents preferred there be no amalgamation of Randwick City (49%) compared to 32% who favoured a merger and 19% unsure.¹ In my opinion the net result has been a breakdown between the council and its community in relation to this critical issue. I would urge the committee to ensure there is a referendum on council amalgamations wherever they are proposed in accordance with the recent resolution of the Australian Local Government Association.

PLANNING

A further issue in relation to the Local Government reform process has been the complete absence of any indication of what planning regime would accompany the new council areas. This is particularly pertinent in the case of Randwick where huge community concern was sparked through the Urban Activation Precinct proposals. Given IPART has given a particularly economic focus to the methodology, it is strange that a key economic driver for a local government organisation, such as planning and development, is not included in this study given it would clearly impact on the sustainability of any proposed council. I would

¹ See Question 7 of Randwick City Community Survey on Fit for the Future

submit the financial sustainability of any council is inextricably linked to its LEP, given the impact on population, economic activity and development within its area, however no mention is made of this in the methodology. Indeed, it is unclear how IPART will properly assess the financial sustainability of any proposed merged council in the absence of articulation of a planning regime.

CONCLUSION

The final point I would make is that Local Government is a democratic institution and should be valued just as much as a State or Commonwealth Parliament. Indeed, there have been efforts to ensure Local Government is protected in our constitution, as it is in other countries, but unfortunately this has not come to pass. I can only urge the Inquiry to listen to residents to understand their concerns and feelings about being potentially disenfranchised through the dissolution of their historically held democratic rights into mega councils on the singular basis of concepts of financial sustainability. In my respectful submission, the two concepts are not equal and certainly I know from my work representing Randwick residents for the past 7½ years that the community value strongly their local areas, neighbourhoods and homes. They do not see these as singularly economic matters. They want to have a say in their own neighbourhoods.

Thank you for taking the time to consider this Submission.

Yours faithfully

Cr Tony Bowen
Randwick City Councillor

Mayor of Randwick 2012 – 2013

Attachments: 2

Fit for the Future Requirements

As per 'Fit for the Future – A Blueprint for the future of Local Government'

11 Dec 2014 to 28 Feb 2015	Commence discussions with the community, council staff, industry unions and neighbouring councils about the costs and benefits of options (options to be determined by the Councillors' Working Party). Engagement will include direct mail, social media, surveys and stakeholder briefings with a consultation break for the Christmas holiday period (late Dec 2014 to early Jan 2015). (*Stages 1 and 2 of community consultation)
2 Mar 2015	Analyse results of discussions and prepare report to Council
16 Mar to 28 Mar 2015	Staff engagement sessions – all work teams and shifts Consultation with industry unions
31 Mar 2015	Councillors' Briefing Session ✓
7 April 2015	Council extraordinary meeting: ✓ <u>Joint resolution</u> from all councils in grouping – agree on a preferred option and prepare a Proposal
8 April 2015	Prepare Proposal ✓
20 to 26 April 2015	Staff engagement sessions – all work teams and shifts Consultation with industry unions
28 April 2015	<u>Resolution to place draft Proposal on public exhibition for 28 days</u> ✓ X X
May 2015	<u>Draft Proposal on public exhibition in all council areas in grouping (28 days minimum) (*Stage 3 of community consultation)</u> X
18 to 24 May 2015	Staff engagement sessions – all work teams and shifts Consultation with industry unions
23 June 2015	<u>Joint resolution</u> from all councils in grouping – endorsing the Proposal X X
24 to 30 June 2015	Staff engagement sessions – all work teams and shifts Consultation with industry unions
30 June 2015	Proposal submission due X X

Further consultation will be scheduled upon feedback on submissions

*** Community consultation** requirements as per the Fit for the Future Blueprint:

1. Discuss options and ideas
2. Discuss costs and benefits of proposed configuration
3. Public exhibition of draft Proposal – minimum 28 days

The following page consolidates extracts from the Fit for the Future documents outlining the community engagement required to be undertaken.

FFTF motion:

a) Randwick City Council believes that it is Fit for the Future as evidenced by the following :

- Council is financially strong, meeting all the Fit for the Future financial, asset and efficiency benchmarks now and into the future with the exception of the debt service ratio benchmark due to Council's debt free position
- Council has quality political and managerial leadership, with a proven track record of engagement, sound decision making and delivering for the community whilst being a capable partner for State and Federal agencies
- The Randwick City community has broadly indicated that they would prefer Council to remain as a stand-alone entity, rather than merge with other Councils.

b) Randwick City Council acknowledges that based on the proposed IPART methodology for assessing Fit For The Future submissions it cannot meet the requirement for standing alone which is to demonstrate superior scale and capacity when compared to the Independent Local Government Review Panel's recommendation of the merger of Randwick City with City of Sydney, Woollahra, Waverley and Botany Bay (Global City).

c) Randwick City Council and its community is strongly opposed to the Global City merger proposal and Council understands that the Global City merger proposal is the default position if it does not make an alternate merger submission that is broadly consistent with the recommendations of the Independent Local Government Review Panel

72

d) That Council submits a Council Merger Proposal (Template 1), in accordance with the Fit for the Future guidance material, proposing a merger of Randwick City with Waverley and Botany Bay Councils

e) That Council writes to its proposed merger partners:

- Woolchra
- advising of Council's resolution;
 - encouraging them to consider an identical resolution; and
 - offering to submit the Council Merger Proposal on behalf of the merger group

f) The Fit for the Future guidance material clearly states that a Council Merger Proposal must be endorsed by all Councils in the proposed group. Therefore, Council recognises the importance of establishing, as a base case, a merger of Randwick City with Waverley (subject to their agreement) for the following reasons:

- Botany Bay Council have publicly expressed opposition to any amalgamation proposal on numerous occasions whilst Waverley's position is similar to Randwick's in that they would prefer to stand alone and are strongly opposed and would be disadvantaged by being part of the Global City model and have therefore worked collaboratively with Council.
- Randwick City and Waverley contain the two largest populations of the Eastern Suburbs Councils and can achieve an appropriate minimum population to demonstrate scale and capacity
- Council's community consultation indicated a Randwick/Waverley merger as being the most favoured of the five alternate merger options to the Global City

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Therefore, in the event that unanimous agreement cannot be obtained from the proposed merger partners, in accordance with the Fit for the Future guidance material, Council will submit a Council Merger Proposal (Template 1) proposing a merger of Randwick and Waverley (subject to their agreement) as a base case. This proposal may also include Botany Bay subject to agreement of the base case merger partners. This proposal would include, within the 'Scale and Capacity' section, Randwick City Council's position that a merger of Randwick City with Waverley and Botany Bay Councils is considered the optimal outcome.

- g) A pre-condition of any merger is that the merger partners agree to accept the enhanced employment protections of 5 years contained within the Memorandum of Understanding (MOU) between Randwick City Council and the Unions
- h) The General Manager be given delegated authority to sign the MOU with the Unions and finalise the Fit for the Future submission, based on the due diligence undertaken in the development of the Options Analysis documentation, and submit it prior to the 30 June 2015 deadline.
- i) In the event of a merger, Randwick City Council's position is that the voting system should be proportional representation
- j) That the General Manager bring a report to the July 2015 Council meeting regarding items for the Local Transition Committee including; number of Councillors, ward structures, the preservation of the history of Randwick City, centre of Government, and membership of the Local Transition Committee
- k) Council write to the NSW Office of Local Government requesting that the membership of the proposed Local

Transition Committee to be established to transition the merger partner Councils to the new amalgamated Council be changed from the Mayor, one other Councillor and the General Manager of each merger partner Council, to the Mayor, two other Councillors and the General Manager of each merger partner Council

I) Randwick City Council acknowledges that due to:

- The timing of the receipt of the proposed assessment methodology from IPART; and
- NSW Electoral Commission's refusal to provide Council with copies of the electoral roll

Council is no longer able to conduct a plebiscite of its residents as previously intended. As such, in accordance with the views of individual Councillors, Council requests the government permit a binding referendum on this issue prior to any merger being implemented and to request the NSW Electoral Commission to release the electoral rolls to Randwick City, Botany Bay, Waverley, Woollahra and City of Sydney Councils to enable this to occur.