

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Ashfield Council

Date received: 29/06/2015



16 June 2015

The Chair
General Purpose Standing Committee No. 6
Parliament House
Macquarie St
SYDNEY NSW 2000

Dear Hon. Paul Green MLC

Re: LOCAL GOVERNMENT IN NEW SOUTH WALES INQUIRY

Ashfield Council welcomes the Inquiry into Local Government in New South Wales as an opportunity to examine the fairness and robustness of the process.

We have participated in the Independent Local Government Review process and viewed this process as an opportunity for the industry to improve the performance and effectiveness of the sector. Since the announcement of Fit for the Future, Ashfield has commissioned independent research, engaged in robust discussion with our community and explored our options with our neighbour councils.

There are serious issues with Fit for the Future's criteria and how the process has unfolded, as outlined in the attached submission.

Yours faithfully

Vanessa Chan
GENERAL MANAGER



SUBMISSION TO THE INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Introduction

Ashfield Council welcomes the Parliamentary Inquiry into Local Government in NSW and, in particular, the NSW Government's 'Fit for the Future' reform agenda. Ashfield Council has actively participated in the Independent Local Government Review Panel's processes, providing three submissions to the Panel. Upon the NSW Government's announcement of its 'Fit for the Future' (FFTF) reform agenda, Ashfield Council has engaged in robust discussions with our community and taken a balanced approach to considering the ILGRP's recommendations for our community.

Ashfield Council is fit for the future, by the NSW Government's criteria and any fair criteria. We have strategic capacity, have been rated sound by TCorp with a neutral outlook and assessed as having strong infrastructure management. We are well-positioned to provide high quality services and facilities to meet the needs of our community, now and in the future. However, Ashfield Council, with a population of 44,170, is considered to lack 'scale'.

Scale, fair evaluation of the work of Local Government and the assessment process is at the heart of the issues raised in this submission. The prioritisation of scale, as threshold criteria, by IPART effectively disregards the value and importance of the political structures and local decision-making functions of local government.

Key Issues

The Fit for the Future criteria fail to measure local government against the objectives and functions that we are obliged, under the Local Government Act, to deliver to our community.

The Local Government Act (Section 8) identifies the purpose and priorities of all councils in NSW. Financial sustainability, sound infrastructure management and integrated planning and reporting are some of the tools used to facilitate the delivery of these purposes, not the end purpose. By focusing on a limited set of seven ratios, the FFTF criteria fail to assess how *effectively* local government is fulfilling its obligations to the community.

In particular, the use of Real Operating Expenditure per Capita as a proxy for efficiency, does not take into account changes in service levels in line with a community's willingness-to-pay or changing needs.¹ It assumes that an improved performance (decreasing trend in Opex/capita) is an improvement operational processes, while it could be due to a deterioration in service standards and failure to adequately meet the needs of the community.

Further, the FFTF criteria fail to consider the role and value of the political dimension of local government. Amalgamation will significantly reduce the diversity of political representation and the community's access to councillors, by increasing the ratio of population to councillor (by over 600%, in the case of Ashfield). Our community places high value on the level of accountability their councillors have to the electorate and their role in local decision-making. As demonstrated by feedback collected during Ashfield Council's community consultation process², our residents and ratepayers value the current levels of representation:

¹ IPART (2014) *Review of criteria for fit for the future*. p37-38

² As reported to Council on 27 May 2015. Full report (*Fit for the Future – Feedback from community engagement*) is available here: http://210.247.155.6/BusinessPapers/Open/2015/RCM_26052015_AGN_AT_WEB.HTM



Respondent #1591: *"Councils need to be in touch with the local community and to make specific not general decisions about the suburb and area."*

Respondent #1538: *"Bigger is not necessarily better. Local needs, local issues and a genuine understanding of the local community and its members are not well-served by financially driven amalgamations from 'on high'."*

About 7% of all comments received by Council, via feedback forms, during our consultation process identified community concern about the loss of highly valued levels of representation and its impact on local decision making.

The role of local representation is not assessed by the FFTF process. The emphasis of increased scale indicates that councils' current levels of accountability to their electorate is not valued. With the proposed changes to the Local Government Act still in draft, it is unclear how the structures for local decision making will be preserved or could be facilitated under any amalgamation scenario.

Potential economic benefits of mergers are prioritised over the likely social and governance costs to communities.

By excluding assessment criteria that measure the broader social, political, community leadership and ecologically sustainable development objectives of council, as per the current Local Government Act, FFTF prioritises the economic outcomes of mergers, over the social cost on communities.

Ashfield Council, with four other Inner West Councils, commissioned research to assess the likely economic, social, governance and environmental costs and benefits of amalgamation and published this information for our community's consideration. This modelling has identified that an amalgamated council will result in a net-benefit of \$143million, over nine years.³ However, this economic benefit would be achieved at some cost to the community of Ashfield Council:

- Significant loss of local representation, changing from 3,630 people per councillor to 22,413 people per councillor, reducing community access to councillors
- Loss of political diversity of representation, currently a third of councillors are Independents and in a larger council, it is unlikely independents or minor political parties could compete with the dominant parties
- Reduced opportunity for local input in decision making, due to significantly reduced access to councillors
- Competition for resources and access to services across a larger area
- Risk loss of Ashfield's heritage conservation and measured approach to building and development approvals

Nearly 28% of community feedback received by Council expresses concern about the risks and costs of amalgamation. This included:

Respondent #1367: *"I believe the development approach of some of the other councils is pro-development compared to Ashfield. Community consultation would be compromised."*

Respondent #438: *"It is already difficult to preserve the heritage nature of our area. Amalgamation would make it impossible."*

Respondent #327: *"1. Often less transparency in a large organisation. 2. Often less accountable. 3. Concerned about impact on local area. 4. Not enough information on how this is of benefit."*

³ Morrison Low (2015) *Fit for the Future – Shared modelling report for Communities of the Inner West*. p61. Available at: http://www.ashfield.nsw.gov.au/page/our_research.html



Respondent #1330: *"Merging the councils will result in less overall people/resources to focus on Ashfield community"*

About 20% of feedback received by Council identified benefits to amalgamation, and of these, nearly half identified economies of scale and cost savings. These benefits are not disputed. However, as the FFTF methodology stands, consideration of the advantages and disadvantages of amalgamation is unbalanced and skewed towards the economic outcomes, disregarding the social costs.

For councils not submitting merger proposals, the 'Improvement Proposal' template is predominantly focused on the economic performance of councils. There are only two sections (1.2 Scale and capacity; 3.5 Other actions considered) that provide opportunity to address the costs to the community of amalgamation and the community's willingness to accept these costs. This is further evidence of the unbalanced approach of the FFTF criteria to assessing local government.

Scale as a threshold criterion sets up smaller councils *with* strategic capacity to fail and is effectively a manoeuvre to force amalgamations.

The assumption of a casual relationship between scale and capacity is without evidence. The ILGRP recommended scale as one means to achieve strategic capacity. (The second method recommended was increased regional collaboration.) FFTF's casual relationship disqualifies those councils that have strategic capacity, without scale. Using it as threshold criteria, sets councils up to fail, regardless of how they perform against the other criteria. This is effectively forcing councils into a position where amalgamation is inevitable. The goal of FFTF is "strong councils providing the services and infrastructure communities need".⁴ Meeting the financial sustainability, infrastructure management and efficiency benchmarks and having strategic capacity are reasonable requirements of a strong council. However, if these are achieved without scale, as is the case for Ashfield Council, what is the argument for amalgamation?

Further, the ILGRP identified increased regional collaboration as a second means of achieving strategic capacity. Yet, Joint Organisations have been excluded for metropolitan councils by NSW Government policy. There are a number of strong Regional Organisations of Councils (ROCs) within Sydney which could transition into Joint Organisation models or be strengthened through recognition in the Local Government Act. ROCs could support those councils lacking strategic capacity in metropolitan Sydney. The exclusion of this option, in favour of scale as threshold criteria only, is a clear indication of the NSW Government's intent for the amalgamation of smaller, metropolitan councils, regardless of our strong performance against all other criteria.

The announcement of IPART's role as assessment body was very late in the process and did not allow sufficient time for Councils to adapt their responses accordingly.

The ILGRP had over 18 months to undertake its research (March 2012 to October 2013). The NSW Government then took nearly 12 months to respond to the Final Report from the ILGRP, releasing FFTF in September 2014. However, local government has been given less than nine months to respond to FFTF (October 2014 to June 2015).

Given the time available to the NSW Government in preparing their FFTF policy, the late announcement of IPART as the assessor for council submissions raises questions. Finalising the assessment methodology on 5 June 2015 resulted in only 16 business days available for councils to adjust their responses accordingly and report proposals to Council for resolution, prior to the 30 June 2015 deadline. This is insufficient time to for effective community consultation on changed circumstances. Indeed, it is barely sufficient time to ensure drafted proposals meet the finalised methodology.

⁴ NSW Government's Fit for the Future website: <http://www.fitforthefuture.nsw.gov.au/>



Why was this process not determined prior to the announcement of FFTF? As there remains no time table for when the Minister will release IPART's assessments after they are handed down, why was the time frame for Council submissions not extended?

The reform agenda puts investment in local infrastructure at risk due to uncertainty regarding next stages

Ashfield Council has invested time and resources into aligning our community's infrastructure priorities with socially-acceptable, and affordable, funding mechanisms. This resulted in IPART approving a Special Rate Variation (SRV) in February 2015, to take effect from 2015-16. Council has made commitments to the community for the delivery of infrastructure improvements, for which the community is willing to pay.

The next stage of the FFTF agenda is unclear. It is unknown if the NSW Government will retain its policy of voluntary amalgamations or if Councils meeting all benchmarks, but without scale, will be forced to merge. It is unknown when IPART's assessments will be published and the next stages of FFTF announced. It is unknown, if forced amalgamations were to occur, what will happen to those communities that currently have SRVs in place, in terms of the continued funding and delivery of their infrastructure improvements.

This places planned investment in local infrastructure in jeopardy. Under a forced amalgamation, the funding streams currently confirmed may not be available for large redevelopments of community assets. It is unknown if a new amalgamated council would be required to honour the infrastructure improvements planned by a previous council. The priorities of the community of Ashfield Council may be diluted, in a larger population.

Ashfield Council intends to deliver over \$24million worth of improvements and redevelopments over the next four years. Will our community lose out on the benefits they have funded, if we are forced to amalgamate?

Conclusion

The FFTF criteria, assessment and process to date fail to evaluate the purpose and value of local government in providing services to their local communities. Ashfield Council has taken a balanced and open approach to considering the recommendations of the ILGRP and the best interests and preferences of our community. However, the issues outlined above raise questions about the integrity, appropriateness and fairness of this process.