

**Submission  
No 54**

## **INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES**

**Organisation:** Nambucca Shire Council

**Date received:** 30/06/2015

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Our Ref: SF578

30 June 2015

The Director  
General Purpose Standing Committee No. 6  
[gpsc6@parliament.nsw.gov.au](mailto:gpsc6@parliament.nsw.gov.au)

Dear Sir/Madam

## **SUBMISSION TO INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES**

Thank you for your letter of 4 June 2015 inviting Nambucca Shire Council to make a submission to the Inquiry with the closing date for submissions being 5 July 2015.

At Council's meeting on 25 June 2015 it was resolved to endorse this submission to the Inquiry as reflecting the views of our Council.

Council is agreeable to the contents of this letter including the contact details being made public.

Our comments specifically refer to the situation of Nambucca Shire Council being a Council on the Mid North Coast of NSW representing the interests of 19,500 residents.

In relation to our circumstances we endorse the words of the Final Report of the NSW Independent Local Government Review Panel which stated *"there is no doubt that the sheer scale of infrastructure problems threatens to overwhelm a significant number of councils ... this applies particularly to north coast councils having to cope with varying combinations of retiree driven growth, dispersed populations, difficult terrain, frequent flooding, numerous old timber bridges, coastal erosion and the demands of tourism."*

As such our comments cannot be regarded as instructive or insightful in relation to any reform which should occur in other parts of the State.

### Our Position on the Final Report of the NSW Independent Local Government Review Panel

Nambucca Shire Council has previously resolved that it is broadly supportive of the recommendations of the Final Report of the NSW Independent Local Government Review Panel subject to member councils of the North Coast Joint Organisation having input into the regional functions to be allocated to the Joint Organisation (resolution of 27/03/2014).

Council has also resolved to agree to participate in a pilot North Coast Joint Organisation and note its preference for the pilot Joint Organisation to have as its priority the improvement of the financial sustainability of its constituent councils (resolution of 25/09/2014).

From our Council's perspective, faced with a growing infrastructure backlog and report cards labelling almost half of the councils in NSW as financially weak with a negative outlook, reform is essential. The risk of business as usual is critical asset failure – the failure of vital assets leaving communities disadvantaged and potentially isolated.

We were pleased when State and Local Government agreed to work together to make Local Government financially sustainable and "Fit For the Future".

Councils must work with their communities to identify priorities, agree on service levels and ensure that what limited funds they have are spent wisely and efficiently.

However it seems that the promised reform has dwindled to Joint Organisations and the possibility of forced amalgamations. We are not convinced that merging cash-strapped councils to achieve "scale and capacity" is going to solve financial woes. It may well only produce cash strapped mega-councils. Forced amalgamations have occurred in both Victoria and Queensland but we don't see them held up as shining examples of financial sustainability. One has to ask why not?

The proposed Joint Organisations appear to be organisations of individual councils that will collaborate on regional strategic planning; inter-governmental collaboration and regional leadership/advocacy. We see nothing in Joint Organisations that will improve financial sustainability. There is a danger that they will become an extra layer of government requiring administrative staff at an additional cost to ratepayers.

There is, however, a real opportunity for councils to gain all of the potential benefits of mergers without losing local identity or local representation and this is by sharing services. There are many administrative functions of councils that could be shared to achieve economies of scale without having any impact on a community's local identity. In fact they are not visible to the average ratepayer.

Functions such as human resources, information technology, records management, purchasing, safety and risk management, internal audit, and governance are carried out by every council in NSW. We are bound by the same regulatory requirements so for these back-of-house services, our requirements are the same. These are areas where Councils could work together and share resources to achieve economies of scale and improved capacity.

#### Our Position on the Government's "Fit for the Future" Reform Package

In September 2014, the Government established four criteria it considered necessary for a council to be "Fit for the Future". These criteria are:

- Scale and capacity to engage effectively across the community, industry and governments
- Sustainability

- Effectively managing infrastructure and delivering services for communities, and
- Efficiency

The Government has established the “scale and capacity” criterion as the threshold criterion for councils. In making a Fit for the Future proposal, councils must first assess their scale and capacity against the Independent Local Government Review Panel’s recommendations, and submit one of three types of proposals, ie council merger proposal, council improvement proposal or rural council proposal.

As indicated Nambucca Shire Council is accepting of participating in the proposed North Coast Joint Organisation subject to the member councils having input into the regional functions which it undertakes and importantly that its focus be on improving the financial sustainability of its constituent councils.

In relation to the other criteria, the Government has established certain measures with benchmarks for each of these as follows:

#### *Sustainability*

Operating Performance Ratio:

Greater or equal to break-even average over 3 years

Own Source Revenue Ratio:

Greater than 60% average over 3 years

Building & Asset Renewal Ratio:

Greater than 100% average over 3 years

#### *Effective infrastructure and service management*

Infrastructure Backlog Ratio:

Less than 2%

Asset Maintenance Ratio:

Greater than 100% average over 3 years

Debt Service Ratio:

Greater than 0% but less than/or equal to 20% av. over 3 yrs.

#### *Efficiency*

Real Operating Expenditure:

A decrease in Real Operating Expenditure per capita over time

In relation to these measures they are overwhelmingly financial and whilst it is agreed that financial performance is at the core of councils’ fitness for the future, it is surprising that there is no reference to the fitness or capacity of councils to deliver environmental, economic or social outcomes.

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In relation to the role of the IPART in assessing the "Fit for the Future" proposals, there has been some criticism that as an expert panel it lacks local government practitioners. However this council's dealings with IPART have indicated that it does provide impartial, rigorous and thoughtful economic analysis and it is not agreed that simply changing the Expert Advisory Panel will necessarily provide better outcomes.

With the IPART methodology being released on 5 June 2015 it is agreed with criticism that the deadline for submissions by 30 June is inadequate for Councils to provide a fully informed response which includes consultation with the elected Council and the community.

Also the Government has only provided IPART until 16 October 2015 to assess all 152 submissions and provide the Minister for Local Government and the Premier with a final report identifying whether or not each council is fit for the future and the reasons for this assessment. Given that IPART intend to undertake public consultation after 30 June and given the number of submissions which need to be deliberated on, this doesn't seem to be an adequate period.

Nambucca Shire Council looks forward to constructively working with the State Government to deliver much needed reforms to achieve financial sustainability for rural and regional councils.

Yours faithfully

**Michael Coulter**  
**GENERAL MANAGER**

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