

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Wyong Shire Council
Name: Ms Marie Hanson-Kentwell
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The Director
General Purpose Standing Committee No. 6
Parliament House
Macquarie St

Dear Sir/Madam,

Legislation Council Inquiry into Local Government in NSW

Wyong Shire Council (WSC) appreciates the opportunity to provide a submission to the Legislative Council Inquiry into Local Government in NSW. Wyong Council supports reform in the Local Government sector where the focus and outcomes lead to positive impacts in the community and we welcome the inquiry to the New South Wales Government's 'Fit for the Future' (FFF) reform agenda of the local government sector.

WSC has identified a number of concerns regarding the Fit for the Future agenda and process and some of the concerns include the following.

1. Incentives for Councillors

Local representation is the level of government most closely connected to the community and is best positioned to identify and respond to community needs. Local representation must be a significant consideration in Local Government reform and in addition local representation is an essential component of democracy and any changes to local government in NSW should strengthen, rather than weaken, the bonds and connections between local councils and residents.

At the heart of local government should be strong vibrant councils, led by elected representatives of their local community, whose prime focus is delivering community leadership, democratic decisions, quality services and long term infrastructure for their local areas.

It appears in the FFF process, the State government has underestimated the potential impact of the FFF initiative on Councillors resulting in possible self-preservation and self-interest being at the fore of many Councillors minds rather than what is best for Local Government reform. The State government should have provided incentive to Councillors in respect to tenure and the opportunity for respective elected members to remain involved through the initiative through to the possible transition process in the event of an amalgamation. This would have enabled the opportunity for critical, smooth participation and future transition as well as ensuring that the needs of our respective residents and communities are considered in the process and into the future.

2. Simple package and funding upfront

The NSW Government pledged a large investment into Local Government Reform to provide a sense of confidence into communities that their council would be constructive and determine a plan to ensure their council is financially sound, operating efficiently and in a strong position to guide community growth and deliver quality services into the future. The offer consisted of:

Up to \$22.5 million in direct funding

Sydney councils, as well as the Central Coast and Lower Hunter were eligible to receive up to \$22.5 million in direct funding if they decided to join forces with their neighbours. It was proposed the funding would assist in getting any new Council underway and provide additional services and facilities the community needs. In addition, merging councils would also have support through the transition period, with pledged extra funding. The prerequisite to obtaining funding was that a merger had to occur and the funding would not be released until after a merge. There was no clarity nor was there any commitment or discussion with individual Councils as to what funding they would be entitled to, how the funding would be released or if there were conditions on how it could be spent.

WSC was unable to pursue this option, due to the recommended neighboring Council to merge with refusing to participate with WSC. This resulted in WSC being ineligible for any funding and having to self-fund the end to end FFF process. An overwhelming number of Councils would have been in the same predicament as WSC of not having a cooperative partner to explore a merger option therefore the cumulative cost of having to fund the exploration and development of their individual proposals to NSW communities would have been substantial and would have been better spent in the community.

4. Office of Local Government (OLG) Resourcing

The OLG announced and advised Councils of the assistance they would be providing to Councils in the development of their individual proposals. The assistance would be provided by the Local Government's One Stop Shop to help councils connect with the funding and support available under the Fit for the Future package. The One Stop Shop was espoused to:

- Provide individual support to each council via a Relationship Manager
- Organise a fully funded facilitator to help your council discuss merger options with its neighbours
- Help to access the funding support for preparing a Merger Business case; and
- Provide access to a panel of technical experts to help councils prepare their Fit for the Future Proposals.

Due to the lack of cooperation of our recommended Council partner in exploring a merger, WSC was unable to access any of One Stop Shop services and had to complete and fund the whole of the proposal development. WSC was no longer eligible for incentives, facilitators or the panel of technical experts.

In respect to the Relationship Manager, WSC did not receive a phone call or visit to Council throughout the process from the Relationship Manager. WSC instigated all conversation and activity

with the OLG, seeking answers to our inquiries which the majority of the queries could not be answered due to the lack of clarity throughout the process and the final assessment methodology not being finalised until the first week of June.

6. Communication to the community by the State

The onus of completing the FFF proposal process remained with individual Councils. Through the initiative there was no direct communication from the State Government to the community about the background or specifics of the initiative other than broad brush communication on the OLG website which the majority of the community would not source. For an initiative as large as FFF and the potential for multi-faceted large change/impact, it is not unreasonable to expect the State would have conducted a wide scale campaign highlighting their purpose, rationale, expected benefits and guaranteed consultation and transparency. In reality communities would only have been told what their individual Councils wanted to communicate them and depending on what the strategic intent of the individual Council and Councillors was, would be only what was communicated to the community.

WSC Council approached the FFF program with neutrality, setting out to investigate various reform options in order to identify which option best met the State's objectives and served the interests of the community. However, there is no certainly all Councils approached the FFF process with the same approach.

The State government did not engage the community about the FFF initiative and provides another reason to question the integrity of the process and highlight that before any amalgamations occur community polls or referendums should occur.

7. Ministerial Advisory Group

The State government appointed a Ministerial Advisory Group (MAG) comprising of Local Government NSW, Local Government Professionals Australia (NSW) and the United Services Union and the MAG was chaired by Peter Achterstraat . The group was formed to participate throughout the FFF initiative via activities such as working groups, consultations, input to the design and content of submissions and reviewing materials. The objective of their participation was to drive positive changes to the FFF program and assessment methodology. Throughout the process the MAG raised a number of issues and concerns with the FFF program and assessment methodology and in many cases their input was not acknowledged and on occasion not sought. From the outside looking in, it appears the role of the MAG was a tokenistic gesture by the State government to create an impression of robustness for Councils to have confidence in the process rather than utilising a legitimate strategic partner and inclusive stakeholder to make practical contributions to ensure future benefit and success of the initiative.

8. IPART Timing

The overall timing constraints imposed upon Councils throughout the FFF proposal submission were unreasonable. The most blatant example of unreasonable timeframes was the release date of 4 June 2015 of the final assessment methodology leaving Councils with a maximum of 15 days to modify their submissions. Noting the submission would require Council endorsement prior to the 30 June submission date, reduced WSC days to complete the proposal less than the available 15 days .

Due to the lateness of establishing the methodology along with lack of clarity and assistance provided from the OLG throughout the process, it begs the question as to whether IPART can realistically and ethically make an informed assessment of each Council proposal within the 16 October 2015 timeframe. Once again the integrity of the process is questioned.

Considering the potential implications and impacts of the IPART assessments on communities it would be recommended that IPART be provided the time required to robustly review the proposals and work with individual councils to enable them to present their position in accordance with the FFF criteria and other supporting documentation. The time line is especially important in that councils don't know what requirements are "must meet" vs "plan for improvement". The window from receiving the final assessment methodology and the due date of 30 June for the council's submission does not provide councils sufficient time to amend their submissions, particularly those councils that required 28 days or choose to publicly exhibit. Once again, actions such as reducing timelines do not create a sense of professionalism or integrity in the process but rather displays disrespect of the process.

9. Industry and community involvement

Industry and individual communities strive to identify, develop and promote the major issues that contribute to economic activity and growth in Australia and do so by representing and engaging with government on behalf of business and the community at the local, state and federal level.

Throughout the Fit for the Future journey it appears the State government has had limited engagement of two large stakeholders being Industry and Communities in the true sense of partnering with them to assist in determining the best outcomes from Local Government reform. The main contributor to the FFF process is government and predominately local government centric rather than having diverse partners and a collaborative effort.

For a true understanding of shaping the future of NSW it would have been sensible to have engaged these two stakeholder groups to provide rigour and robustness in the initiative. Not doing so is a missed opportunity and leaves government to continue 'muddling through' as the challenges mount even further.

10. Flawed methodology

The order of the methodology appears flawed. Scale and capacity have been established as the threshold criterion for determining whether a council is FFF and only then will other criteria be assessed. This introduces significant subjectivity into the FFFF assessment and there has been no clear guidance for assessment. The Methodology indicates that they will base their assessment on the 10 key elements of Strategic Capacity identified in the ILGRP Report. These are all qualitative elements and by necessity will be subjectively assessed and the methodology provides no clear articulation of how that assessment will be undertaken or the benchmarks against which the council will be comparatively assessed. WSC's view is having a fixed timeframe for all councils to demonstrate reform is short sighted considering how long it has taken for the sector to be in the state it is today. Our view is to lengthen time constraints for those councils who can defensively demonstrate reform already achieved and have planned via the planning process and long term financial plan that supports strategic capability. It is important for the panel to acknowledge the positive reform achievements made to date by individual councils that highlights strategic capability.

11. Lack of cooperation

WSC Council was not considered by the ILGRP as having sufficient scale and capacity and was recommended to investigate a merger with Gosford City Council (GCC).

WSC made numerous unsuccessful attempts to engage GCC to investigate the recommendation of a merger. In late 2014 and early 2015, Council attempted to facilitate discussion of the investigation of a merger between the Councils at five Central Coast Regional Organisation of Councils (CCROC) and CCROC Executive meetings, as well as making numerous attempts via telephone and email to contact the relevant persons within GCC to commence a dialogue. Three of the five meetings were adjourned due to a lack of quorum owing to inadequate attendance by GCC and no discussion on the matter occurred at the other two meetings. An outcome from a more recent CCROC meeting in February 2015 saw Council and GCC agree to proceed on the basis of preparing separate submissions.

The failed attempts by Council to partner with GCC to investigate a merger resulted in WSC self-funding a unilateral investigation of a merger. Agreement from GCC to partner for the investigation of a merger would have made both Councils eligible for financial and technical assistance from the State. Although WSC sought assistance from the Office of Local Government to address the lack of cooperation from GCC the issue was not addressed.

This scenario questions the integrity of the process as WSC abided by the State recommendations although were only able to explore the option of a merger utilising desk top research for GCC data. It appears the possibility of Councils not agreeing to the State recommendations and refusing to work adhere to them was not considered and could possibly heavily impact the outcome of the assessment for WSC. In the event the State choose to persevere with a WSC and GCC merger there is no doubt more expense to the Councils and ratepayers will be a result.

12. Scale and Capacity

WSC are of the view a clear definition of scale and capacity should have been detailed and provided to Councils at the time the Fit for the Future (FFF) initiative was announced. Our view is when determining scale and capacity the assessment should be more than about the financial numbers and population. Strategic capacity should have been weighted highly when determining scale and capacity.

A clear example that highlights confusion in how scale and capacity is determined is Lake Macquarie Council with a population of over 200,000 and a positive financial position deemed to not have scale and their neighbour Cessnock, with a population of approximately 55,000 and a weak financial outlook deemed to have scale.

In addition it appears at odds, that if a council complies with the ILGRP recommendations they will receive a tick and be deemed "Fit for the Future" without having to validly prove whether they are or are not actually fit for the future. This approach appears biased, ill-informed, creates risk for consistent assessment and implementation throughout the state and therefore questions the integrity of the FFF initiative.

13. OLG Debt Assistance

As part of the reform package the NSW Government has offered a total of \$120 million through to 2025 for the implementation of the overall local infrastructure backlog policy, of which the Local Infrastructure Renewal Scheme (LIRS) is one component. The Local Infrastructure Renewal Scheme (LIRS) provides councils with a subsidy in interest costs to make it affordable to take out major bank loans to fund their projects. This investment in debt funding has been proven to be far less expensive than paying for the long-term recurring maintenance requirements of deteriorating assets.

The challenge is, with some Council's such as WSC, the debt portfolio consists of fixed rate long term bank loans with an average weight maturity date exceeding nine years and Council has been unable to take advantage of the current low interest rate environment as it has no existing need for additional borrowings. The opportunity of the proposed beneficial borrowing program from the OLG would not provide WSC with any immediate realisable benefit given its current debt portfolio. Restructuring Council's current debt portfolio to realise these lower interest rates offered would be significantly outweighed by the punitive break costs Council would incur in paying off its high interest fixed rate debt. WSC recommend further exploration of alternative assistance/incentives to assist Councils in addressing current debt rather than only new debt should be further explored to address financial sustainability in NSW Councils.

WSC is grateful for the opportunity to provide our submission for the Legislation Council Inquiry into Local Government in NSW *Fit for the Future* initiative. We recognise the need for industry reform and encourage reforms that seek to help resolve the sectors challenges to best serve the community now and into the future.

We are keen to continue to play an active role in the reform process and would welcome the opportunity to further address the issues outlined or to provide any further assistance as required.

Yours Sincerely

Marie Hanson-Kentwell
Director, Special Projects
Wyong Shire Council