

**Submission  
No 184**

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

**Organisation:** NSW Farmers' Association

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**NSW Farmers' Association**

**Submission into General Purpose Standing Committee No. 6 Inquiry into  
local government in NSW**

**July 2015**

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**NSW Farmers' Association Background**

The NSW Farmers' Association (the Association) is Australia's largest State farmer organisation representing the interests of its farmer members – ranging from broad acre cropping, livestock, wool and grain producers, to more specialised producers in the horticulture, dairy, egg, poultry, pork, oyster and goat industries.

## Executive Summary

NSW Farmers is Australia's largest state based farming organisation and represents the interests of numerous agribusiness enterprises located within rural and regional NSW. The organisation provides its farming members the opportunity for representation to Government through non-party political lobbying.

NSW Farmers is appreciative of the opportunity to provide comment to the General Purpose Standing Committee No. 6 inquiry into local government in New South Wales. Noting the timing and the brief nature of our submission, we would be pleased to provide further information to the Committee on request.

The *Fit for the Future* reform agenda for local government, particularly its application in rural and regional areas, is a significant issue for NSW Farmers' members and their local communities. NSW Farmers was actively involved in the three year independent review of local government, and will continue to be actively involved in issues around local government in NSW into the future.

NSW Farmers understand that the *Fit for the Future* reforms aim to ensure financial stability of the local government sector, something that the Association supports as an appropriate goal for every local government.

However, NSW Farmers also notes that the Independent Expert Panel assessing *Fit for the Future* proposals is likely to recommend amalgamations of various local government areas. NSW Farmers notes the potential for amalgamations to have unintended impacts on the unity and cohesion of local government through the creation of potential rival communities within a single local government area.

The potential for this is particularly acute in rural areas, as opposed to those in metropolitan locations, as the tyranny of distance can create very real geographic and psychological differences between communities. This would also challenge service delivery in across any larger council areas. These are not insurmountable challenges, but they must be appropriately considered.

NSW Farmers members are strongly opposed to any form of forced amalgamation or cut to current service levels unless:

- a) Substantial benefits whether economic or improved service delivery can be identified and clearly articulated to the stakeholders, and
- b) Local community identity, input and consultation are enshrined in legislation through one or more of the mechanisms discussed in the Independent Local Government Review Panel's final report entitled *Revitalising Local Government*.

NSW Farmers believes that councils should be assessed against their ability to provide essential local services, local planning which meets local needs, and appropriate democratic oversight of this spending to ensure that it is according to the best interests of the community. All of this must be underpinned by a sustainable fiscal situation. Following on from this, NSW Farmers believes that any proposed changes to local governments must demonstrate substantial benefits as measured against these criteria, improving local planning, provision of services, democratic oversight and financial integrity.

Within this framework NSW Farmers will provide brief further comments, including a summary of NSW Farmers' local government policy and previous action on local government. These



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comments will broadly address the terms of reference of the Committee, and NSW Farmers is happy to provide additional comment and information if requested by the Committee.

## **Brief comments on selected Terms of Reference**

### **(a) the New South Wales Government's 'Fit for the Future' reform agenda and (b) the financial sustainability of the local government sector in New South Wales**

NSW Farmers recognises the need for councils across rural NSW to reform their financial structures so that they are fiscally stable into the future. This was highlighted by the 2013 NSW Treasury Corporation report into the Financial Sustainability of the NSW Local Government Sector, which demonstrated the deteriorating financial sustainability for all councils in NSW was particularly acute for those councils located in rural and regional areas.<sup>1</sup>

NSW Farmers policy and members acknowledge the need for local government to have access to alternative and sustainable revenue streams so that the provision of essential services can continue. In a context where local government has been asked to provide increasing levels of services, it is appropriate that alternative funding to provide these services is explored. As an example, NSW Farmers policy recommends that local government receive a fixed share of federal goods and services tax revenue.

### **(c) the performance criteria and associated benchmark values used to assess local authorities in New South Wales**

At its core, NSW Farmers policy believes that local councils should provide three core functions:

1. provision of essential services (water, sewerage, roads etc) in the local community.
2. provision of local planning services
3. the democratic oversight of the spending and decision making associated with these first two functions.

NSW Farmers policy believes that these are the core functions against which local government should be assessed. Furthermore, NSW Farmers policy also argues that these functions should be achieved in a financially sustainable framework, and that local government should therefore seek funding to ensure that these functions are appropriately provided for.

Following on from this, NSW Farmers believes that any proposed changes to local governments must demonstrate substantial benefits as measured against these criteria. Any proposed changes to local governments must demonstrate substantial benefits as measured against these criteria: improving local planning, provision of services, democratic oversight and financial integrity.

### **(g) Costs and benefits of amalgamations for local residents and businesses and (k) the known and or likely costs and benefits of amalgamations for local communities**

NSW Farmers supports the Government's 'no forced amalgamation' policy and believes that increasing council size does not necessarily guarantee greater efficiency of service delivery or cost savings. As such, prior to any potential amalgamation the practical benefits of such change must be demonstrated. In some cases changing the structure or area may not actually result in any benefits and may actually lead to reduced effectiveness and the loss of local context and input. Further to this, amalgamations in rural and regional areas also runs the risk of dividing communities of interest and creating rival population centres which would not only be a

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<sup>1</sup> NSW Treasury Corporation (2013) *Financial Sustainability of the NSW Local Government Sector: Findings, Recommendations and Analysis*, page 31, available from: <http://www.olg.nsw.gov.au/sites/default/files/TCorp-Report-Financial-Sustainability-of-the-New-South-Wales-Local-Government-Sector-April-2013.pdf>, accessed 20/07/15.



challenge for the cohesiveness local communities but also the councils in determining the location of service and administration centres and the prioritisation of projects.

Amalgamations of local government to date have been primarily outside the Sydney metropolitan area, implying the intention was to increase the rating base and rationalise some of the shared services. However, we continue to emphasise the limits of increasing the geographic size of those local government areas and the impact this has upon effective local administration and spread of resources. As such it is important that consideration needs to be given to the ability to deliver services and not just cost savings.

NSW Farmers understands that council rates on farmers and farm land often provide a disproportionately high level of council rates compared to the services that they are able to readily access. The rates charged are also often disproportionate to the ability of farmers to pay. One example of this is the Mid-Western Regional Council, where NSW Farmers' members estimate that farmers are paying almost 30% of the rates despite making up only 15% of the population.

In this context, it is important to note that amalgamations can cause an increase in the proportion of urban populations in a local government area, which could cause a decrease in engagement of local councils on key agricultural issues, or a decrease in the representation of farmers on their local council. It may result in the disproportionate charging of rates on agriculture becoming entrenched across larger council areas. Given the importance of agriculture to so many rural communities, it is important that potential impacts such as these should be considered and avoided where possible.

NSW Farmers acknowledge a number of regional councils have already developed strong regional strategic capacity through the development of regional alliances and regional advisory councils. This has allowed local governments to cooperate in different areas including in providing advocacy support for infrastructure development. It could be presumed that there is already greater collaboration between some regional councils, increasing the ability to share resources and costs and realising some of the benefits that might have otherwise come through amalgamations.

NSW Farmers also notes the vast difference between some regional councils in the way in which they collect rates on agricultural land in their local government area. The Association has received anecdotal evidence that rates on agricultural land can vary as much as 40-60% between different council areas. Differences such as this can have a very material impact on the costs of businesses for many farmers, who are very often at their core family or small businesses.

Any discussion of local government reform, and particularly amalgamation, must address these vast discrepancies and ensure that any changes to structure result in fair and equitable rates being levied upon agricultural land across the board, with seemingly arbitrary differences in rates removed. Alternatively, any amalgamations or changes in council structure must not be allowed to entrench the fundamentally inequitable and arbitrarily higher rates across larger council areas. This is especially the case as farm businesses suffer a disadvantage when it comes to accessing many of the traditional local government services.

## **NSW Farmers' Recommendations**

### **Recommendation 1**

That there be no forced amalgamations of Local Government Areas or any services they currently provide unless:

1. Substantial benefits, whether economic or improved service delivery, can be identified and clearly articulated to all stakeholders, and
2. Local community identity, input and consultation are enshrined in legislation through one or more of the mechanisms discussed in the Independent Local Government Review Panel's final report entitled Revitalising Local Government.

### **Recommendation 2**

The State Government consider the adoption of user pays in local government, on the condition that it leads to a saving to ratepayers.

### **Recommendation 3**

Local government administration should concentrate on the provision of traditional services such as local roads, construction and maintenance, as well as on providing effective and efficient local planning services. This could be facilitated through a reduction in the regulatory burden placed upon local government.

### **Recommendation 4**

Both state and federal governments must firmly establish priorities for local government funding so that local governments can plan for longer term commitments in implementing programmes that are primarily state and federal government initiatives.

### **Recommendation 5**

All NSW Government and Federal Government agencies, such as State Forests and National Parks, pay local government rates.

### **Recommendation 6**

That as a part of any consideration of council reform or amalgamation, rating of agricultural land be reviewed to take into account the disadvantage they suffer in the provision of local government services and the current discrepancies between councils in the rating of agricultural land.

### **Recommendation 7**

That local government have access to appropriate resources to ensure that they comply with their obligations to facilitate access to local road assets for economic activity, particularly for agricultural purposes.

## **Appendix 1: NSW Farmers' policy relevant to the Terms of Reference**

**2015** – That the association lobby the NSW Government to oppose forced amalgamations of LGAs or any services they currently provide unless:

- a) Substantial benefits, whether economic or improved service delivery, can be identified and clearly articulated to all stakeholders, and
- b) Local community identity, input and consultation are enshrined in legislation through one or more of the mechanisms discussed in the Independent Local Government Review Panel's final report entitled Revitalising Local Government.

**2009** – That the Association seek that all NSW Government and Federal Government agencies, such as State Forests and National Parks, pay Local Government rates.

**2009** – That the Association lobby the NSW Government to oppose amalgamations of Local Government Areas, or Local Government services such as water and sewerage, unless it can be demonstrated that there will be substantial cost savings to be gained from such amalgamations.

**2009** – That the Association seek that Local Government receives a fair share of Federal Government tax revenue, such as 2% of GST.

**2007** – That the Association:

- a) request the State Government implement an inquiry into a fairer local government rating system;
- b) seek that the base charge provides 70% of general rate income;
- c) support the Local Government and Shires Association in seeking a designated share of GST.

**2000** – That the Association seek autonomy for local government in relation to local matters. In the case of revenue raising and expenditure practices:

- a) the State Government should rigorously pursue the adoption of user pays in Local Government. The Government should provide legislation which ensures that the move to user pays is revenue neutral (i.e. it must be a saving to ratepayers);
- b) oppose any forced amalgamations of Shire Councils;
- c) there should be a just and equitable share of Commonwealth government revenue equal to 3 per cent of income tax receipts;
- d) local government administration should concentrate on the provision of traditional services such as local roads, construction and maintenance.



## **Appendix 2: Summary of NSW Farmers submissions provided to the Independent Local Government Review Panel**

The contents of these submissions are publically available and can also be provided to the Committee on request.

- **Future directions for local government June 2013 (Stage 3)**

The submission highlighted the acute financial sustainability problems for councils in rural areas, noted the impact that cost shifting to local government (through increased regulation, service provision requirements etc) may have had on this, and discussed the limited capacity of councils to extract greater funds from their existing rate paying base to reach sustainability. The submission explored a number of solutions to generate extra revenue, including returning a share of Commonwealth Government revenue to local government, or an increase in the Federal Assistance Grant. The submission also recommended that NSW and Federal Government agencies be subject to Local Government rates, argued that the inequitable increase in rate burden on agricultural land be addressed and argued that there be no forced amalgamations of local councils unless there was a demonstrated net benefit.

- **The Case for Sustainable Change March 2013 (Stage 2)**

The submission highlighted the impacts of population shifts, argued for the implementation of user pays local government services, and made similar recommendations to those outlined above in the stage 3 submission.

- **Strengthening your Community September 2012 (Stage 1)**

Making many similar recommendation to those outlined above, the submission highlighted the benefit that local government provided to the community through local essential services, particularly local infrastructure and emergency management and response. It noted the challenges posed by declining population density in rural councils, and the pressures that this placed on maintaining rural infrastructure. In argued that financial stability of local councils was the top challenge that they were facing, which impacted on council's ability to support the current and future needs of local communities. Other issues considered included the ability to deliver services and infrastructure in a timely manner, the ability of local councils to provide local representation and decision making, and the nature of barriers and incentives in considering amalgamations or boundary changes.