

**Submission
No 104**

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Bellingen Shire Council

Date received: 5/07/2015



4 July 2015

The Director
General Purpose Standing Committee No. 6
gpsc6@parliament.nsw.gov.au

Dear Sir/Madam

SUBMISSION TO INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Thank you for your recent correspondence inviting Bellingen Shire Council to make a submission to the Inquiry with the closing date for submissions being 5 July 2015.

At Council's meeting on 24 June 2015 it was noted that submissions to the Inquiry were currently being received and specifically that:

"A Legislative Council Select Committee inquiry, announced on 27 May 2015 (supported by the Opposition and cross bench members of the Upper house), reopens many of the broader considerations of local government reform and sustainability which are not reflected in the more narrowly focused Fit for the Future process.

The Inquiry's Terms of Reference incorporate many of the key issues raised by the local government sector since the Destination 2036 workshop in 2011, including issues raised in Bellingen Shire Council's previous submissions.

The Inquiry offers an opportunity to reiterate calls for genuine reform that will benefit communities, particularly essential improvements to the funding framework for local government.

As submissions close on July 5, 2015, there will not be the opportunity to submit a draft submission to Council for endorsement. It is accordingly recommended that the General Manager be authorised to make a submission and that this process include consultation out of session with Councillors.

It is understood that the Inquiry will hand down its report on 17 August 2015. This would allow its findings to be taken into account prior to any report by IPART being submitted to the Minister for Local Government. However at this point the Government has only stated its intention to proceed with the Future for the Future process as previously advised".

Council resolved to delegate the preparation and lodgement of the submission to the General Manager.

This submission relates to the circumstances of Bellingen Shire Council being a Council on the Mid North Coast of NSW representing a community of around 13 000 residents.

In this context the view of the NSW Independent Local Government Review Panel is noted:

“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.”

In addition the following assessment by Treasury Corporation is relevant:

“There is a higher proportion of Councils rated as weak or very weak in the North Coast Region and the far west compared to other regions. Much of this variation in performance can be attributed to population density, where lower levels of population and hence proportional number of ratepayers are available to meet the costs of maintaining and renewing assets.”

The further contextualise at a local level:

- 1 Bellingen Shire Council has endured 13 declared flood events since 2001
- 2 \$31 million in damage has occurred as a result of these flooding events
- 3 57% of our shire is not rateable
- 4 Our population density is low – 8 persons per square kilometre compared to 60.5/sq km for Coffs Harbour City Council , 1322 for Blacktown City Council and 7016 for Sydney City Council.
- 5 We maintain 41.5m of road per head of population compared to 10.8 for Coffs Harbour City Council, 3.9 for Blacktown City Council and 1.6 for Sydney City Council
- 6 We have the fourth highest number of bridges on local roads in the State noting that 60% of NSW Councils have no timber bridges.
- 7 The Index of relative socio economic disadvantage (SEIFA) highlights our Shire as being ranked in the 50 most disadvantaged Local Government Areas in the State.

The local government reform process has progressed through a series of stages since 2011. At each stage Bellingen Shire Council has been an active participant. Bellingen 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 and to participate in the North Coast Joint Organisation (resolution of Council March 2014). Further Bellingen Shire Council has actively engaged with the Councils slated for membership of the North Coast Joint Organisation.

In an era of unprecedented change and an environment of relative disadvantage, restricted revenue and additional cost impositions council is faced with real challenges in terms of maintaining and replacing infrastructure and delivering improved and expanded services to our community. To build financial sustainability it is imperative that Council address both cost containment and reduction measures as well as options for additional revenue in the context of community want and need.

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



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That said we have had a comprehensive understanding of this since 2012 and the document attached to our IPART FFF submission entitled 'our backstory' outlines in significant detail the proactive work council has undertaken in the intervening period to address our overall sustainability issues. Further our 'backstory' document provides an evidence base that council is able to actively deliver on an aggressive reform agenda.

Bellingen Shire Council was pleased when State and Local Government agreed to work together to make Local Government financially sustainable and "Fit for the Future".

Bellingen Shire Council supports the notion of financial sustainability and regional alliancing through the Fit for the Future processes, however the Fit for the Future (FFF) process is considered very narrow in its nature.

Bellingen Shire Council remains concerned with the assessment methodology which will be used by the Independent Pricing and Regulatory Tribunal (IPART) to assess whether councils are "fit" or "not fit" for the future and in particular:

1 Social and community context

Each benchmark (other than scale and capacity which are themselves defined broadly) that will be employed by IPART is a financially based quantitative measure. It appears that there is little consideration being given in the process to the equally important social and community quantitative measures including:

- a) Loss of political representation
- b) Impacts on existing communities of interest, and in particular identity and place
- c) Importance of local accountability and ability to respond in a timely and appropriate way to local needs.
- d) The need for a local council to reflect local values and prioritise local issues
- e) The proven capacity of the council to effectively engage with its community in important matters
- f) The corporate governance impacts including significant organisational and service delivery upheavals.

In particular social impacts should take much greater importance in the assessment process. In this regard, the Chair of the Independent Local Government Review Panel, Graham Sansom in his submission to IPART dated 24 May 2015 noted that "... the ILGRP's broader package (of structural reform) has been somewhat overshadowed by ... perceived focus on financial ratios and benchmarks."

2 Joint Organisations

It appears that the promised reform process has dwindled to Joint Organisations and the possibility of forced amalgamations. Bellingen Shire Council is 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 bigger councils. Forced amalgamations have occurred in both Victoria Queensland and South Australia but these do not appear to be showcased as shining examples of financial sustainability.

Moreover, 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. The Joint Organisation model does not appear to focus on improved financial sustainability for member councils. There is a danger that the JO's will become an extra layer of government requiring administrative staff at an additional cost to ratepayers.

3 Regional alliancing

There is 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 and regional alliancing. 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.

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. Bellingen Shire Council is actively working with its neighbouring councils in terms of shared servicing and alliancing initiatives.

General response to the NSW 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, i.e. council merger proposal, council improvement proposal or rural council proposal.

As indicated above, and by resolution, Bellingen Shire Council is accepting of participating in the proposed North Coast Joint Organisation on the proviso that member councils have 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



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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

As outlined above, these measures are overwhelmingly financial and whilst it is agreed that financial performance is at the core of councils' fitness for the future, it is of significant concern there is no reference to the fitness or capacity of councils to deliver environmental, economic or social outcomes.

Bellingen Shire Council has approached the FFF task based on advice from the Office of Local Government in relation to preparing a 'credible plan' and emphasises that our plan is pragmatic and based around our particular challenges as well as elements and levels of disadvantage.

Council also:

- notes current reviews underway around allocation of the federally based Financial Assistance Grants and rating generally. In relation to the Financial Assistance Grants Council strongly advocates a position around revision of the funding formula to proactively direct funds from councils who do not need federal funding to those that clearly have differential levels of disadvantage such as Bellingen.
- actively advocates for payment of rates by other government entities who either compete in a competitive market place i.e. State Forests, or those national parks that contain an income generating entity as those organisations benefit from local services and infrastructure provided by local government.

Further Council notes the active feedback sought by IPART at its Coffs Harbour hearing around the relevant timeframes for achievement of the various ratios. Council also notes the revision in the IPART criteria for non city councils to be assessed against a rural council template but

suggests that a greater level of sensitivity is required in the context of the FFF proposals against relative disadvantage and allocation of funding from other levels of government.

The moving nature of the assessment process in a restricted timeframe is of high consequence to councils whose resource base to respond to such matters is limited.

In relation to the role of the IPART in assessing the “Fit for the Future” proposals, there has been some general industry criticism that as an expert panel it lacks local government practitioners. However it is noted that IPART will include the former head of the SA Local Government Association. Further Bellingen Shire Council’s dealings with IPART have indicated that it does provide impartial, rigorous and thoughtful economic analysis.

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.

Lastly Bellingen 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

Liz Jeremy
GENERAL MANAGER