

**Submission
No 23**

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Leichhardt Municipal Council

Name: Cr Peter Head

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25 June 2015

The Director
General Purpose Standing Committee No. 6
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Director

Re: Leichhardt Council's Submission to the Inquiry into Local Government in New South Wales

Leichhardt Council, at an Extraordinary Meeting on 2 June 2015, resolved to make a submission to the Legislative Council's Inquiry into Local Government in New South Wales. Council's formal submission, approved by Council at its Ordinary Meeting of 23 June 2015, is presented herein for your consideration.

Also attached to this submission is Leichhardt Council's Final Proposal to the NSW Government Fit for the Future Program – in response to the Independent Local Government Review Panel (ILGRP) recommendation that Leichhardt amalgamate with 5 other councils (Ashfield, Burwood, Canada Bay, Marrickville and Strathfield) to form an Inner West Council with a population of 342,000 persons.

Leichhardt Council raises the following concerns with the New South Wales Government's Fit for the Future reform agenda:

1. Methodology by IPART to assess a council's fitness

Leichhardt 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 – in particular :

Social and Community Context:

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

- strong community opposition to mergers
- loss of political governance/local representation
- impacts on existing communities of interest, particularly with respect to a loss of identity and place within a huge new conglomerate council

- loss of local accountability and ability to respond in a timely and appropriate way to local needs
- the need for a local council to reflect local values and prioritise local issues
- the proven capacity for the council to effectively engage with its community on important matters – this is an area where Leichhardt Council excels as demonstrated by its award winning Reconciliation Action Plan and its positive engagement with the LGBTQI community. Council's ability to effectively connect with its community is demonstrated in the 2015 Community Satisfaction Survey that shows that 98 per cent of Leichhardt Residents are pleased with Council's overall performance, with 89 per cent happy with their quality of life in Leichhardt
- the corporate governance impacts including significant organisational and service delivery upheaval over many years.

The predisposition to financial benchmarks and the seemingly secondary nature being given to social and community context of a council's future position is a fundamental flaw in the methodology devised by the State Government. Social and community impacts are far too important to be treated as secondary considerations to the financial benchmarks and should take much greater prominence in the assessment process. In this regard, even the Chair of the Independent Review Panel, Graham Sansom, in his submission to IPART (dated 24 May 2015) raises this issue – stating that "... *the ILGRP's broader package (of structural reform) has been somewhat overshadowed by ... perceived focus on financial ratios and benchmarks.*"

For example, in the Leichhardt context, the proposed amalgamation with our 5 neighbouring councils will lead to a loss of:

- Representation in local government matters as it will be much harder for the community to effectively engage with councillors. Each new councillor will, because of the very large population, be representing the equivalent of almost 23,000 people compared to less than 5,000 currently for Leichhardt Councillors. This is the equivalent, under a new Inner West Council, to approximately 2.5 councillors (rather than the current 12 councillors) for the entire Leichhardt population of almost 57,000 people.
- Sense of identify and place in Leichhardt as it is merged with neighbouring Councils that do not share a similar sense of community i.e. no shared community of interest especially with respect to our built form and open space heritage.
- Service offerings to the local community and higher rates, given our existing higher levels of service for various functions such as street maintenance/ childcare facilities/ Recreational Centres eg Leichhardt Park Aquatic Centre.
- Local culture, local values and prioritisation of local issues.

Leichhardt Council therefore submits to the Inquiry that the assessment criteria being used by IPART should not merely focus on the financials – it should give at least equal if not more weight to the many social and community factors involved with the various reform options including amalgamations.

Joint Organisations:

The Independent Review Panel had both preferred (amalgamation) and secondary (Joint Organisations) recommendations for all Sydney metropolitan councils as a means of achieving sufficient scale and capacity. However, the Joint Organisations option now seems to have been all but removed from IPART's final assessment methodology. To quote most recent IPART advice:

"The Government has stated that it will support councils to establish 15 JOs in regional NSW....OLG guidance also states that councils in Sydney have been given funding, support and incentives to merge, and that rather than forming new Jos, such councils can continue to collaborate through ROCS " (p. 32).

Contrary therefore to IPART's advice during its community consultation period, it seems JOs for Sydney Metropolitan councils remain off the table.

Leichhardt Council has long supported a Joint Organisation (JO) option for Sydney Metropolitan councils as an alternative approach to mergers – in line with JO models such as the Southern Sydney Regional Organisation of Councils (SSROC) submission to the State Government on the 24th March 2014 (<http://ssroc.nsw.gov.au/wp-content/uploads/2015/04/Letter-to-Minister-for-Local-Government-accompanying-ltr-to-NSW-Premier.pdf>).

Council remains very concerned that JO options won't be considered when assessing an FFF council improvement submission for scale and capacity criteria.

Leichhardt Council therefore contends that any JO proposals should be treated on their merits when first assessing scale and capacity, notwithstanding the absence of any detailed business plan at the time – because of the previous State Government advice that JOs won't be considered for these councils.

Scale and Strategic Capacity

The requirement for councils to respond to the 10 strategic capacity elements prescribed in the Final Report of the NSW Independent Local Government Review Panel (ILGRP box 8) in the absence of any measures or benchmarks applicable to each element continues to remain a concern.

Councils have not been provided with more precise indicators on how, for example, they can clearly demonstrate *knowledge, creativity and innovation or ability to employ wider range of staff*.

Nevertheless, Leichhardt Council has addressed all the strategic capacity elements in its FFF submission and considers that it satisfies all the criteria specified for scale and capacity, other than the arbitrary minimum population size of an apparent 342,000 (as recommended by the ILGRP).

Council raises concerns however that if this initial population measure isn't met, it will mean an instant end to the FFF evaluation process. This would be grossly unfair to those councils that have developed a sound business case clearly demonstrating a superior council improvement rather than merger option. In our

case, all 7 financial benchmarks will be met by us by 2015/16 - however our population would remain at 57,000 rather than the arbitrarily imposed targets for the Sydney Metropolitan area.

IPART itself has clearly acknowledged that there is currently no evidence base whatsoever for such targets.

Additionally, Leichhardt Council considers that any definition of scale must include more than just the resident population. For example, the Leichhardt municipality hosts more than 15,000 workers each day, and many thousands more as a destination (i.e. restaurants, arts and cultural activities, tourists, and visitors). These daily surges in population place significant demands on council (e.g. waste, use of open space and consumption of local Council provided services). The number of residents therefore gives no indication of broader population numbers, the intensity of activity or council's capacity to work with other tiers of government. There is also no evidence that residential population is an indicator of capacity to deliver efficient or effective governance or services.

Council considers the method to evaluate the dual entity 'scale and strategic capacity' (identified as a 'threshold criteria') should give primacy to capacity. Strategic Capacity is the object and critical measure in the Fit for the Future process; scale and (by population number) is of interest only as an assumed contributor to capacity. In some cases increased scale may be associated with decreased capacity; IPART's method must allow for such cases

Leichhardt Council therefore rejects any proposed quantification of minimum population and/or minimum numbers of Sydney Metropolitan Councils; and submits that strategic capacity should be the prime determinant when evaluating 'scale and capacity'

In assessing scale and capacity in terms of consistency with the broader regional and state wide objectives of the ILGRP's preferred options, Leichhardt Council also raises concerns about IPART relying on a blanket acceptance by councils of planned development when establishing an equitable pattern of local government in metropolitan areas (section 3.2.2 of the IPART consultation paper). The implication here is that councils must accept what they are told is being planned, rather than partner with the State Government and its agencies to work together in developing the planned development (s). In this case, IPART, when assessing this ILGRP preferred option against a council submission, should recognise the need for a genuine two (2) way relationship.

2. Costs and Benefits of amalgamations

The Fit for the Future reform program is based on the false assumption that bigger is better; that larger councils are more efficient and effective and better service their communities. However, the Independent Review Panel's Final Report cited no evidence to support these claims. In fact, the international and national evidence reveals the exact opposite – smaller councils are more efficient, effective, financial sustainable and better represent their local communities. We refer you to the work of

local government expert Professor Brian Dollery from the University of New England¹ to support our claims in this regard.

In this regard, Leichhardt Council meets all the financial sustainability benchmarks of Fit for the Future. Recognised as one of NSW's top Councils, TCorp confirmed Leichhardt Council as in the top 10 per cent of councils in NSW for financial performance (TCorp 2013). The NSW Government also recognised Leichhardt's strong asset management (Local Government Infrastructure Audit 2013) and strong performance in governance and organisational best practice (Promoting Better Practice Review 2015).

Leichhardt Council's excellent financial position is superior to the Independent Review Panel's preferred option of the amalgamation of Leichhardt Council with its neighbouring 5 inner west councils. In this regard, independent modelling by industry experts Morrison Low found that the proposed amalgamated Council will not be as financially sustainable after 10 years as Leichhardt Council stand alone. Specifically, the independent modelling found that an amalgamated inner west council will only meet 4 of the 7 Fit for the Future benchmarks after 10 years and is therefore not "Fit for the Future", whereas Leichhardt Council will meet all 7 benchmarks by 2015/16.

The independent research undertaken for Council by industry experts Morrison Low also found that the costs of amalgamation will be 5 to 6 times more than the NSW Government is offering and the shortfall is estimated at upwards of \$70 million – these costs will have to be passed on to ratepayers in any merged council proposal.

In our case therefore, amalgamations won't provide for improved services largely because of the unsustainable financial position of the new merged council. In some cases, services might have to be reduced or a rate increase sought to maintain service standards.

3. Community opposition to mergers

Leichhardt Council has consulted extensively with its community on the amalgamation proposal. In summary the community is:

- Overwhelmingly opposed to the amalgamation of Leichhardt Council with Ashfield, Burwood, Canada Bay, Marrickville and Strathfield councils as proposed by the NSW Government – depending on the survey employed, the results vary from 61% to 76% of residents not very/not at all supportive of amalgamation.
- Supportive of Leichhardt Council remaining a stand-alone council into the future – again depending on the survey employed, the results vary from 55%

¹ Dollery, B. E., Kortt, M. and Grant, B. *Funding the Future: Financial Sustainability and Infrastructure Finance in Australian Local Government*, Sydney, Federation Press, 2013; Dollery, B. E., Grant, B. and Kortt, M. *Councils in Cooperation: Shared Services and Australian Local Government*, Sydney, Federation Press, 2012; Dollery, B. E. Garcea, J. and LeSage, E. (eds.), *Local Government Reform: A Comparative Analysis of Advanced Anglo-American Countries*, Cheltenham, Edward Elgar, 2008; Dollery, B. E., Marshall, N. A. and Worthington, A. C. (eds.) *Reshaping Australian Local Government: Finance, Governance and Reform*, Beijing, Peking University Press, 2008; and Dollery, B. E. and Robotti, L. (eds.), *The Theory and Practice of Local Government Reform*, Edward Elgar, Cheltenham, 2008.

to 72% of residents expressing support for council to remain a stand-alone council.

Yet, the community's voice on the future of Leichhardt Council is relegated to secondary status in the assessment process. Only scale and capacity (i.e. population) and the 7 financial benchmarks will determine the future of Leichhardt Council. This is blatant disregard for the local community and evidence that the State Government has an agenda to amalgamate councils in spite of what the community has to say on the issue.

4. Timeframe for submissions

Leichhardt Council raises serious concerns about the overall timing constraints imposed by the State Government. Over past months, we and no doubt most if not all other NSW councils have been preparing submissions and engaging our communities based on the template requirements laid down by the Office of Local Government. To raise last minute changes through the rushed IPART consultation program - meaning councils have less than 3 weeks to modify their submissions based upon the final assessment outcomes – is to say the least very unreasonable and disrespectful to the process.

Fit for the Future proposals are arguably one of the most significant bodies of work councils have been required to undertake over the past 20 or 30 years. How IPART can fully and comprehensively consider all these proposals by the 16th October 2015 demonstrates that the Government isn't serious about the process other than in the case of Sydney Metropolitan councils to push through its amalgamation agenda.

Leichhardt Council thanks the Legislative Council for undertaking this Parliamentary Inquiry, welcomes the opportunity to lodge its submission and is prepared to give verbal testimony to the General Purpose Standing Committee in support of its submission.

Regards

Peter Head
GENERAL MANAGER