

**Submission
No 84**

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Kogarah Council

Date received: 3/07/2015



Councillor Michael Platt
Mayor



3 July 2015

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

Dear Ms Foley

Local Government in New South Wales (Inquiry)

Thank you for the opportunity to respond to the Parliamentary Inquiry into local government in New South Wales conducted by the General Purpose Standing Committee No 6. Kogarah City Council's submission is attached.

Please note that in relation to the terms of reference set by the Committee, Council has responded **specifically to items:**

- The performance criteria and associated benchmark values used to assess local authorities in NSW
- Scale of Local Councils in NSW
- **Costs and benefits of Mergers for local residents and businesses**
- Evidence of the impact of forced mergers on council rates drawing from recent Queensland experience and other amalgamation episodes
- Impact of forced mergers on municipal employment
- Protecting and delivering democratic structure for local government

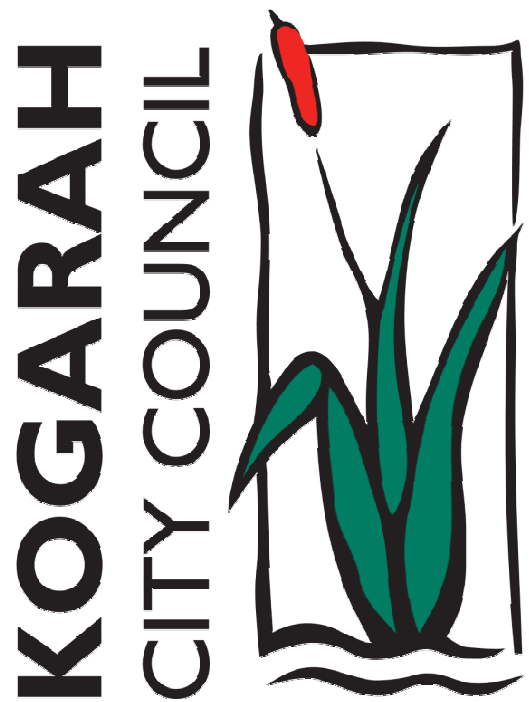
If you require further information or would like to discuss the information contained in this submission please contact

Kind regards

Councillor Michael Platt
Mayor

CUSTOMER SERVICE CENTRE
2 Belgrave Street,
Kogarah NSW 2217
PH: 02 9330 9503
FAX: 02 9330 9514
MOBILE: 0419 406 168
EMAIL: mayor@kogarah.nsw.gov.au

POSTAL ADDRESS
Locked Bag 8,
Kogarah NSW 2217
DX 11118 Kogarah
WEBSITE
www.kogarah.nsw.gov.au



Kogarah Council

Submission to the Inquiry into the
'Fit for the Future' Reform Agenda

June 2015

Introduction

General Purpose Standing Committee No 6 has commenced an inquiry into local government in New South Wales. The Inquiry has been established to closely examine the New South Wales Government's 'Fit of the Future' reform agenda for local government, including the financial sustainability of the local government sector. Kogarah City Council is pleased to submit the following points for consideration by the Committee.

Background to Kogarah City Council

The Kogarah Local Government Area (LGA) is located 14 km south of the Sydney CBD and covers approximately 20 square kilometres. With the presence of major businesses, including St George Bank Headquarters and four public and private hospitals, the LGA has significant competitive strength in both the financial and health sectors. Aside from being the financial and medical hub of the Southern Sydney region, the LGA is further known for its sporting history, scenic parks and foreshore, and family-oriented lifestyle.

Kogarah's population at the 2011 Census was 55,805, a 6.2% increase from the 2006 Census. By 2031, Kogarah's population is projected to increase to 76,350. The 2011 Census reveals that Kogarah has a slightly lower proportion of young age groups (0-17 years) and a higher proportion of people in the older age groups (60+ years) than the Greater Sydney average. Overall, 21.3% of the population was aged between 0 to 17 and 19.3% were aged 60 years and over, compared with 22.9% and 18.0% respectively for Greater Sydney.

Kogarah has a high proportion of people born overseas (41.2%) with 36.8% being from a non-English speaking background. The largest non-English speaking country of birth was China, where 13% of the population were born. The next most common countries of birth were Greece (2.2%), Hong Kong (2.2%) and the United Kingdom (2.0%). The majority of Kogarah residents speak English well or very well (87%). 49.8% of the population speak a language other than English. The most common languages spoken at home, other than English, were Chinese (Cantonese and Mandarin) (19.2%), Greek (8.1%) and Arabic (3.6%).

The Kogarah Town Centre is the financial, educational and medical hub and a major employment generator for the St George and Southern Sydney Region. The Metropolitan Strategy identifies Kogarah as a strategic centre and over the next 25 years the Kogarah Town Centre is expected to provide an additional 4,500 jobs.

Terms of Reference Addressed

Please note that in relation to the terms of reference set by the Committee, Council has responded specifically to items:

- The performance criteria and associated benchmark values used to assess local authorities in NSW
- Scale of Local Councils in NSW
- Costs and benefits of Mergers for local residents and businesses
- Evidence of the impact of forced mergers on council rates drawing from recent Queensland experience and other amalgamation episodes
- Impact of forced mergers on municipal employment
- Protecting and delivering democratic structure for local government
- The performance criteria and associated benchmark values used to assess local authorities in New South Wales

C) THE PERFORMANCE CRITERIA AND ASSOCIATED BENCHMARK VALUES USED TO ASSESS LOCAL AUTHORITIES IN NSW

Scale and Capacity

As part of the process of assessing scale and capacity, IPART has proposed to assess a council's strategic capacity by determining if the following key elements have been met:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ a wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development

- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership

IPART's consideration may also include a demonstration of sufficient scale such as an appropriate minimum population size or a target number of councils in the Sydney metropolitan area. Kogarah City Council does not believe that a minimum population size, or target number of councils, provides a definitive link to the ability of a council to meet the key elements of strategic capacity. A council should be entitled to demonstrate its strategic capacity criteria against the key elements regardless of its population size.

The key elements of strategic capacity detailed are qualitative in nature. IPART has provided little detail on how these qualitative criteria will be assessed or measured.

If a Council, based on a sound argument supported by robust information, presents a business case for 'no structural change' it is required to clearly demonstrate why the option of 'no structural change' is superior to the preferred option of the ILGRP in relation to strategic capacity. Given that the assessment criteria for strategic capacity are mainly qualitative and the ILGRP preferred option is not already in existence it is very difficult for councils to demonstrate that the 'no structural change' option is superior to the ILGRP fabricated model, for which many of the underlying assumptions are unknown.

Councils were not provided with information that shows how an amalgamated council, as the preferred option of the Independent Local Government Review Panel (ILGRP), improves the scale and capacity compared to the individual councils. Councils therefore do not have a comparable basis for determining which option is superior for scale and capacity. A comprehensive suite of qualitative benchmarks to support the key elements of strategic capacity was not provided, which in its absence, significantly hindered internal comparison work and diminished the value of such work.

Fit For Future Criteria/Measurement

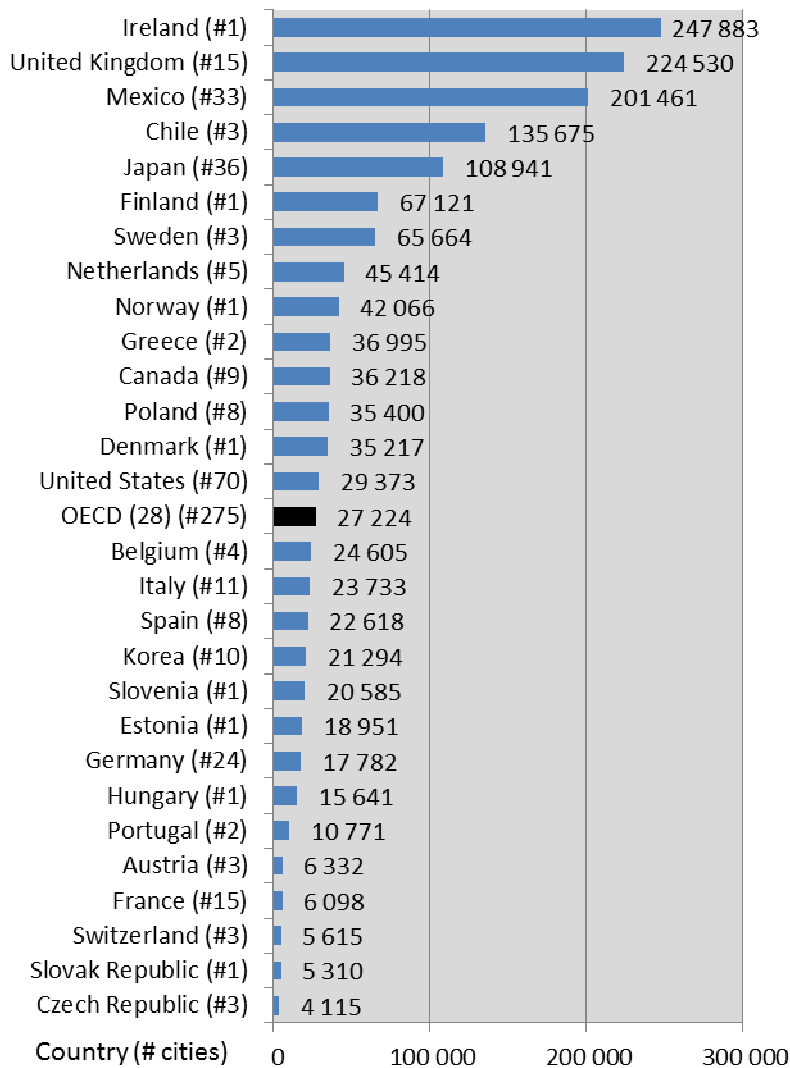
After scale and capacity, IPART will be assessing councils against the benchmarks shown in IPART's Methodology for Assessment of Council Fit for Future Proposals - Figure 3.1. Council is concerned that various local government authorities may have different calculations and measurement of depreciation expense, asset renewal measurement and required maintenance. These figures have a substantial impact on a council's performance ratios as part of IPART's assessment of sustainability and infrastructure management. Three of the seven benchmarks contain data sourced from special schedule seven (7) of a council's financial reports which is unaudited. This can lead to inconsistency of comparative data and makes the consideration of options for councils difficult.

Kogarah City Council understands that IPART is using the criteria provided by the NSW Government and will not be revisiting these criteria as part of this review. However, Kogarah City Council wishes it to be recognised and acknowledged that data used for the assessment of sustainability and infrastructure management is likely to be inconsistent and in some cases unreliable if used as a comparison between different council entities.

D) THE SCALE OF LOCAL COUNCILS IN NEW SOUTH WALES

In 2012, the average population of metropolitan local councils in OECD countries was 27,224 while the average population of the 41 Sydney councils is 104,493. Only two Sydney councils were smaller than the OECD average.

Figure 1 Average population size per local government in metropolitan areas, 2012¹



Studies examining the relationship between the population size and efficiency have proved largely inconclusive.

Professor Brian Dollery: Professor Dollery is extensively published on local government reform, and strongly argues against the view that there are economies of scale simply from creating larger councils.

¹ [Regions at a Glance 2013 - © OECD 2013](#)

- *“A common argument advanced by proponents of Australian local council amalgamation proposals is that ‘bigger is cheaper’ due inter alia to the existence of substantial economies of scale in local council service provision. This argument typically asserts that local councils with larger populations can provide municipal services at lower costs per unit of output than local authorities with smaller population bases, thereby conflating population size with the theoretically distinct concept of scale economies... We conclude that it is fallacious to use population size for a proxy for scale economies in Australian local government.”²*
- A study by Byrnes and Dollery (2002) suggested that it was population size does not provide a good proxy for economies of scale in Australian local government. They reviewed a selection of studies on the relationship between population size and cost to deliver services (22 studies) and found that:
 - 29% of the research papers find evidence of U-shaped cost curves – this indicates that increasing population size to a certain scale may result in economies of scale but that when councils become too large there are diseconomies of scale
 - 39% find no statistical relationship between per capita expenditure and size
 - 8% find evidence of economies of scale
 - 24% find diseconomies of scale

Professor Percy Allen: *“Local government reform should recognise two fundamental realities, one of which is administrative and the other political. At the administrative level the efficiency and effectiveness of a local council is not a function of size. All the empirical evidence suggests that big is not better when it comes to local government. Where economies of scale are relevant (eg public works and maintenance depots), the most practical solution is fee-for-service shared service centres, not amalgamations. The political reality is that people believe that small is beautiful — they want their local council centred on their neighbourhood. People identify with distinct localities, not amorphous regions. People want their local councillors to address micro-issues at street and precinct level. People expect state government to address wider regional issues and set regional visions and strategies with active input from local councils and ROCs.”³*

Phillip Barry (NZ Institute of Company Directors): *“Overall, amalgamation is a costly and disruptive process and it shouldn’t be jumped at unless it’s a good answer to a real problem. There are a few specific areas where amalgamation of local services makes sense to enable effective regional coordination or to take advantage of material cost-savings. Beyond this, unsupported claims of potential cost-savings are not a good enough reason to incur the costs of legal advice, rebranding, redundancy and recruitment, systems integration, rates redistribution and the general upheaval and disruption that come along with large-scale change. And we mustn’t forget that local democratic decision-making - the first purpose of local government - is likely to suffer if governance becomes increasingly centralised.”⁴*

² Dollery, Byrnes and Crase, “Australian Local Government Amalgamation: A Conceptual Analysis of Population Size and Scale Economies in Municipal Service Provision”, *Australasian Journal of Regional Studies*, Vol. 14, No. 2, 2008 <http://anzrsai.org/assets/Uploads/PublicationChapter/262-Dolleryetal2.pdf>

³ Allen, P, “Why Smaller Councils Make Sense”, *Australian Journal of Public Administration*, vol. 62, no. 3, pp. 74-81, 2003

⁴ <http://www.napier.govt.nz/assets/Documents/ncc-submission-appendix-2.pdf>

G) COSTS AND BENEFITS OF AMALGAMATIONS FOR LOCAL RESIDENTS AND BUSINESSES

Financial costs and benefits

The proposed mergers have been premised on the idea that it they will result in:

- significant savings and efficiencies from economies of scale and scope and reduced duplication
- savings over time will outweigh the costs of amalgamation
- improved financial sustainability
- better standards and service levels and more effective service delivery
- enhanced strategic and technical capability within councils.

However, it has been found, internationally, that:

- the costs of amalgamation and transition are often underestimated
- the financial sustainability of councils is not always improved after amalgamation
- the estimated savings from amalgamation are often not realised and in some cases mergers have resulted in increased expenditures (Feiock, 2004)
- Amalgamation often does not result in improved performance either through improved service provision, increased service levels or reduced costs for delivering the same services (Martin and Schiff, 2011).

For example, in the case of the:

- ***City of Toronto Amalgamation (1998)*** - the stated goal of the amalgamation was to reduce costs by eliminating duplication and to improve the efficiency of the delivery of services. Recent research suggests that the Toronto amalgamation did not achieve the estimated costs savings, nor did it have a significant effect on Toronto's financial sustainability (Slack and Bird, 2013; Schwartz, 2001). It is also suggested that prior to amalgamations there is some evidence that expenditure decreases in the period prior to the amalgamation but tends to increase following the amalgamation (Slack and Bird, 2013). It was also found that the estimated one-off amalgamation costs were higher than estimated. It was estimated that the one-off amalgamation costs would be between \$150 million and \$220 million, however, by the end of 2000 it was estimated that one-off amalgamation costs had reached around \$275 million.
- ***Auckland Amalgamation (2010)*** – Auckland Council was only created a little over three years ago and the full impact of the amalgamation is yet to be determined. In the Auckland Councils Long-Term-Plan it is stated that in the first full year of Auckland Council \$81 million in cost savings were produced and that a further \$50 million in savings will be delivered in 2012-13 financial year. However, a recent report (AUT, 2013) suggests that many residents in Auckland believe that the reforms have made little difference. AUT also consider the extent to which Auckland Council is providing value for money and note that overall, there seems to have been an increase in rates revenue, expenditure and staff costs in comparison to that of all of the legacy or prior Auckland Councils.
- ***Queensland Amalgamations (2008)*** – In 2009, a Treasury Corporation review for the Department of Infrastructure and Planning estimated that the cost of the amalgamation, across 24 of the amalgamated councils, was around \$194 million, the savings were around \$118 million with around \$11 million potential future efficiencies, resulting in a net estimated cost of \$65 million. Treasury Corporation (2009) also note that any cost savings resulting from efficiency gains do not generally show up on the bottom line through operating surpluses as they will most likely be used to provide expanded or better service levels.

- *NSW Amalgamations (2002)* – there has been a reduction in the number of general purpose councils since 2002 from 172 to 152. Whilst this has resulted in a reduction in the number of councillors, employment in the sector (as measured by full time equivalents) has increased by 8% over the period.

Dollery also argues that there has been a focus on the financial sustainability of local government to the exclusion of other factors that make councils sustainable, which he proposes are based on the ‘four pillars of sustainability’:

- Financial sustainability - fiscal viability
- Economic sustainability - conditions met for satisfactory local economic development
- Community sustainability - adequate community of interests exists to sustain community cohesion
- Environmental sustainability – the new entity has adequate administrative and technical capacity for effective environmental management

A number of recent studies by Morrison Low of potential mergers has shown that even where the merger generates an overall saving in the long term, some merged councils fail to meet the operating performance ratio. It is important to consider this in the context of the Fit for the Future benchmarks because even with these savings, the merged entity still does not meet the operating performance ratio over the longer term, meaning that the merged council’s operational expenditure is greater than its income and therefore not “Fit for the Future” based on IPART’s assessment methodology.

There are risks that local services and priorities will be impacted by merger, including:

- Early transition costs require funding to be diverted from other services, priorities and opportunities
- Transition requires significant focus from the organisation which can lead to a loss of momentum on important local and regional projects and a disruption to service delivery
- Local priorities can be lost within the new entity, particularly for smaller council areas subsumed into a larger neighbouring council and where there are significantly different local priorities between areas
- Less representation will result in neighbourhood specific issues being less likely to be addressed.

H) EVIDENCE OF THE IMPACT OF FORCED MERGERS ON COUNCIL RATES DRAWING FROM RECENT QUEENSLAND EXPERIENCE AND OTHER FORCED AMALGAMATION EPISODES,

Rates in each council area are a reflection of policy decisions and community willingness to pay, and over time reflect the agreed services and service levels of the community and council they represent. Recently Kogarah City Council has undertaken a review of its Community Strategic Plan as well as a special rate variation. Both of these processes involved substantial community engagement to understand the expectations of the community and their willingness and capacity to pay for stated service levels. Amalgamations push together different council areas with different expectations, services, service levels and rates.

Currently there are a number of significant differences in the rating systems of Kogarah City Council and our neighbouring Councils. Under all amalgamations options the impact will be an increase in the average residential and business rates for residents of Kogarah City Council. It is expected that a merged Council would be required to set a rating system. The exact impact on individual households is difficult to determine as the State Government has given no policy indication on the approach to be taken. However a key driver in determining rates would be land value and residents with comparatively high value properties would bear a higher proportion of the rates. For Kogarah City Council rates payers it is likely to mean higher rates.

Studies have shown that where amalgamation has occurred there are always winners and losers in relation to rates - with some residents paying more and some paying less, regardless of important historical decisions made by the communities.

- Moreton Bay Regional Council in Queensland saw ‘rate equalisation’ process across the new Moreton Bay Regional Council following the merger which resulted in former Pine Rivers Shire ratepayers having an 18.1 per cent increase⁵
- In Auckland, while overall rates are increasing, some rate payers are now experiencing rate reductions of up to 13%⁶ while means other ratepayers are experiencing similarly large increases of up to 16.9%

There can be equity issues where there are differing policy decision in terms of willingness to pay and desired services levels where two entities are joined. One community will end up paying for the higher service levels of the other community. Special rate variations apply differentially across New South Wales, often based on community engagement and willingness to pay and there is a risk that:

- communities that have agreed to rate increases may see their money spent in other areas
- communities that have not agreed to rate increases may see their rates increase based on the higher rates of their neighbours.

Even when a merged council is able to generate efficiencies, for example through efficiency gains or economies of scale, they tend to be used to equalise service levels across the new jurisdiction or to improve/increase service levels or the condition of assets, meaning that they do not result in an overall reduction in rates.

This trend can be observed from recent mergers where, despite claims of efficiencies being generated, rates rise. This may be a result of services and service levels rising but the overall impact is the same, residents are paying increased rates.

- In Auckland, overall rates have increased every year since the merger of the seven councils. The table below sets out the average annual rates increase in Auckland since 2012.

Year	Rate increase
2012	3.6% ⁷
2013	2.5% ⁸
2014	2.9% ⁹
2015	9.9% ¹⁰

J) EVIDENCE OF THE IMPACT OF FORCED MERGERS ON MUNICIPAL EMPLOYMENT, INCLUDING AGGREGATE REDUNDANCY COSTS

Merger modelling undertaken by local government consultant’s Morrison Low for Kogarah City Council and other councils through Fit for the Future, highlights that the key benefits from mergers come about through reducing staff numbers. The merger business case for Kogarah as part of an enlarged St George Council to include Canterbury, assumed job losses at executive level, managerial level, back of office functions (Human Resources, IT, Finance, Legal and Communications) of between 5 and 20% for the respective roles, tiers and departments. The merged council would have a workforce of over 1400 staff so any reductions in the order to 5 –

⁵ <http://www.theherald.com.au/story/2298372/opinion-evidence-shows-cost-of-council-mergers/>

⁶ http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11471241

⁷ [http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/Long_term_plan/Pages/rates.aspx - 12/13](http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/Long_term_plan/Pages/rates.aspx-12/13)

⁸ http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10882204

⁹

<http://www.aucklandcouncil.govt.nz/EN/ratesbuildingproperty/ratesvaluations/yourrates/Pages/rateschangesfromjuly2014.aspx>

¹⁰ <http://i.stuff.co.nz/business/industries/69722604/Some-Aucklanders-face-a-1000-annual-rates-rise-after-budget>

20% would represent a significant number of job losses. Reference was made by the consultants to Auckland where staff numbers were reduced in the back of office functions by 35%¹¹.

Morrison Low further report that where merged councils do not reduce the staff numbers then it is unlikely to be financially viable once the costs of the merger were taken into account¹²

Based on the OLG’s Comparative Data, there were 45,000 people directly employed in the local government sector in NSW in 2012/13.

A reduction in staff numbers resulting from mergers, the single most effective way to reduce costs, would have a significant flow-on economic effect on the local, regional and state economies. Impact modelling using the REMPLAN tool¹³ indicates that the loss of one job from public administration and safety would have the following impacts on the NSW economy:

Figure 2 Impact of a job loss in the local government sector

Impact Summary Report						
Impact Summary	Direct Effect	Industrial Flow On Effect	Consumption Flow On Effect	Total	Type 1 Multiplier	Type 2 Multiplier
Output (\$M)	-\$0.215	-\$0.155	-\$0.239	-\$0.609	1.724	2.836
Employment (Jobs)	-1	0	-1	-2	1.000	2.000
Wages and Salaries (\$M)	-\$0.094	-\$0.039	-\$0.055	-\$0.188	1.416	2.000
Value-Added (\$M)	-\$0.120	-\$0.068	-\$0.122	-\$0.311	1.569	2.591

L) THE ROLE OF CO-OPERATIVE MODELS FOR LOCAL GOVERNMENT INCLUDING THE ‘FIT FOR THE FUTURES’ OWN JOINT ORGANISATIONS, STRATEGIC ALLAINCES, REGIONAL ORGANISATIONS OF COUNCILS, AND OTHER SHARED SERVICE MODELS, SUCH AS THE COMMON SERVICE MODEL

Kogarah City Council is of the view that regional cooperative models, including joint organisations, strategic alliances and or shared service models should be further explored as an option for metropolitan councils prior to amalgamation being forced.

Kogarah City Council can provide many specific examples across Council functions where regional cooperation has provided benefits for the community in terms of greater efficiencies and higher quality service levels.

Kogarah City Council has worked collaboratively with neighbouring councils and other SSROC councils for many years. The regularity, intensity and benefits of this collaboration have increased exponentially over time. Such collaboration is now a routine method of operation which is exercised to achieve the optimal outcome for our community.

A specific example is the St George Region of Councils Collection Contract. In 2011 Council entered into a joint contract with Rockdale City Council and Hurstville City Council for the collection of waste across the three LGA’s. This has resulted in significant savings for residents and a reduction in the number of truck movements in each council area each week, with savings over \$46 million across the region and a \$10 million saving to Kogarah residents.

Council’s waste staff worked collaboratively with staff of Hurstville and Rockdale Councils in the development of the tender and contract documents and in the detailed tender assessment process that was also independently arbitrated.

¹¹ Securing Efficiencies from the Reorganisation of Local Governance in Auckland, Taylor Duigan Barry Ltd, October 2010

¹² Merger V Stand Alone Business Case, Morrison Low June 2015 prepared for Holroyd City Council considered at Holroyd City Council meeting on 23 June 2015 accessible at http://125.255.86.103/ebp/Open/2015/06/CCL_23062015_ATT.PDF

¹³ REMPLAN Economy, NSW Economy April 2015

Further examples have been documented in Councils submission to IPART Annexure 3 – Scale and Capacity.

N) PROTECTING AND DELIVERING DEMOCRATIC STRUCTURES FOR LOCAL GOVERNMENT THAT ENSURE IT REMAINS CLOSE TO THE PEOPLE IT SERVES

Mergers should have the communities support

The community of Kogarah is strongly opposed to the recommended merger, demonstrated by 85% of those surveyed through Council's telephone survey and 90% of those that responded to the survey online or through the information brochure, preferring Kogarah to Stand Alone. A Merger of Kogarah with other councils would be in direct contradiction of residents and ratepayers desires for the future of their community.

Dollery states that the lifeblood of local government derives from its democratic legitimacy and so it therefore follows that some formal process must be created to provide a mechanism for eliciting community views on merger proposals in a procedurally and democratically sound manner. His case studies identified two contrasting points:

- Involuntary or forced amalgamations which do not enjoy demonstrated community support invariably leads to problems
- The City of Onkaparinga case demonstrates that voluntary mergers characterised by high levels of community participation typically result in harmonious and successful outcomes

This is consistent with NSW legislation, with Section 263 of the Local Government Act requiring boundary adjustment decisions to have regard for “the attitude of the residents and ratepayers of the areas concerned.”¹⁴

Western Australia

Forcing through a merger against the wishes of the community has been shown to be an unsuccessful approach as shown by merger processes in Western Australia, Queensland and New Zealand.

The WA governments attempt to merge councils in Perth stalled and then were abandoned in the face of significant opposition from councils and communities¹⁵¹⁶¹⁷ after significant expense on the part of the affected councils.

New Zealand

The Local Government Act requires amalgamation proposals to be put to a poll of affected residents and requires 50% approval in each affected area to succeed. To date no amalgamation proposal has ever received sufficient support to be enacted.

Queensland

In 2012, in response to continued community dissatisfaction, the Queensland State Government invited former Shires to put forward de-amalgamation applications that demonstrated financial viability and support from the community. Nineteen de-amalgamation applications were received. The most common reasons stated in applications for de-amalgamation were that since the 2008 amalgamations:

- service levels to residents had declined whilst rates and other service costs had increased
- levels of local representation had decreased and the views of communities of interest were no longer being represented in decision making

¹⁴ http://www.austlii.edu.au/au/legis/nsw/consol_act/lga1993182/s263.html

¹⁵ <http://www.abc.net.au/news/2015-02-08/councils-vote-against-mergers-in-wa/6078388>

¹⁶ <http://www.abc.net.au/news/2015-02-10/council-mergers-on-hold-as-premier-concedes-reform-bid-failed/6083804>

¹⁷ <http://www.watoday.com.au/wa-news/perths-councils-spared-from-mergers-20150217-13hd11.html>

- local identity and distinct sense of local place had diminished
- communities continued to have a preference for a smaller separate council
- amalgamated communities were distinct with different aspirations and preferences for services
- a smaller local council would result in increased local economic growth and better outcomes for business and industry.

Four councils of the nineteen councils that submitted de-amalgamation applications - Noosa Shire, Livingstone Shire, Mareeba Shire and Douglas Shire - successfully made the case for de-amalgamation based on the loss of effective local representation, the loss of local identity, substantial increases in rates and service costs and a decline in services and or service levels¹⁸.

Victoria

In the case of Buloke Shire in Victoria, it was found that some 13 years after the forced amalgamation which created the council, that there was a widespread view in the community that post-amalgamation governance structures had failed to effectively represent and reconcile the disparate interests of the constituent communities (Alexander, 2008).

Representation

Larger councils with reduced representation may not be able to effectively represent communities of interest:

- Different communities of interest have differing priorities and preferences for council services. With reduced levels of representation there is a risk that diverse communities, particularly vulnerable and minority communities, will not be represented
- Local democracy is not just about providing communities with the services and infrastructure as efficiently as possible, it is also about listening, advocating and working in partnership, building pride and celebrating the unique attributes that make communities special
- Amalgamation tends to increase the workload of elected members due to the larger jurisdictional area and population base and to an increased scope of role; in this context, it can be challenging for elected members to representing the diverse interests of their electorate alongside those of the wider area (Pocock, Sexton and Wilson, 2001)
- With fewer elected councillors per resident, communities may feel that the Mayor and councillors are less accessible because their constituency is larger, the scope and scale of their role is greater and they are less able to spend time in the community. This may result in communities feeling that they have less access to the decision-makers

Efficiencies could be generated through collaborative approaches without reducing representation and local decision-making.

- Recent evidence demonstrates that efficiency savings can be achieved, while delivering the same or better levels of service, by taking a collaborative or shared services approach. Savings from shared services are typically achieved through consolidating or sharing some components of organisational structures (e.g. sharing back office resources or a shared building consents service), integrating information technology (e.g. combined rating and geospatial services) improving procurement or gaining an economy of scale by joint purchasing. The set up and integration costs tend to be more modest than those associated with amalgamation (Colin Drew, Local Government New Zealand 2011; Drummond McFarlane, United Kingdom Local Government Association, 2012). Typically, those services where a shared services approach will deliver efficiency savings are also likely to be those where efficiencies will be gained through amalgamation.

¹⁸ <http://www.couriermail.com.au/news/queensland/councils-vote-to-go-it-alone/story-e6freoof-1226593959005>

Costs of community governance models

The cost of delivering the type of democratic structures that would address the loss of representation in the mergers has not been taken into account in New South Wales. The government's merger business case panel terms and conditions exclude the providers from making an allowance for any anticipated costs of community governance models (Figure 3 below).

Figure 3 Terms and Conditions of OLG Merger Business Cases

<p>6 Exclusions</p> <p>6.1 The Merger Business Case will not consider the following matter:</p> <ul style="list-style-type: none">a. Community consultation (eg: conduct or examination of surveys, polling regarding community attitudes to the proposed merger etc). It is intended that the business case will provide sufficient technical information to allow each council to undertake appropriate community consultation to inform the council's decision in relation to its Fit for the Future proposal.b. Detailed assessments of issues to be addressed by Local Transition Committees (ie: to be undertaken after a proposal to merge has been approved by the Minister) - including detailed examinations of possible governance structures, ward arrangements etc.
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Analysis of community governance costs in Auckland where a full co-governance model has been implemented shows that in 2014/15 this cost the 1.4 million Auckland ratepayers an estimated \$24 million¹⁹. The \$24 million includes the costs to support all 21 local boards including payments to board members, wages for staff that support the boards and all associated costs, excluding the Council overhead.

¹⁹

http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/annual_plan/Documents/annual_planv20142015vol1.pdf, (