

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Bogan Shire Council

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"Comfortable Country Living"

14 August 2015

**The Director
General Purpose Standing Committee No. 6
Parliament House
Macquarie Street
SYDNEY NSW 200**

Dear Director

**Legislative Council Inquiry into Local Government in New South Wales –
Bogan Shire Council evidence tabled at Cobar Hearing, 17 August 2015**

Bogan Shire Council having not previously made a submission to General Purpose Standing Committee No. 6, and being invited to appear as a witness to the Cobar hearing, now wishes to table the following as evidence for the Committee.

Introduction

Bogan Shire Council covers an area of 14,610 square km and services a thriving community located around Nyngan, an attractive, safe town with a functioning, supportive community, in central New South Wales approximately 2 hours drive from Dubbo, our recognised regional centre, and 670 kilometres from Sydney. The Shire was created in 1971 from the former Nyngan Municipal Council and surrounding Bogan Shire and has a proud record of financial sustainability and service delivery to our community over many years including periods of severe flood and drought.

The role of rural, remote Shire Councils

Bogan Shire Council welcomed the Government's announcement in Fit for the Future Newsletter 12 that:

"The Independent Local Government Review Panel originally proposed a Rural Council Model. Consultation with the sector has shown the needs of rural communities are so diverse that a single legislated model, creating a new type of Council, may not be the best solution. The model is no longer being proposed."

Instead, Councils have the option of preparing a Rural Council Proposal (Template 3) to show how they will improve performance within their current structure. This allows them to choose from solutions, developed through consultation, that particularly suit small rural communities.

There will be no change to the way that Councils are named, nor mandated changes to operations”.

The Independent Local Government Review Panel made recommendations that smaller rural Councils should become local boards or some other type of scaled-down “junior” Council with, in their words, “reduced responsibilities” (ILGRP Report, page 92). This seems to imply stripping those Councils of decision-making powers, reducing numbers of Councillors and reducing or eliminating senior staff. In the words of Professor Sansom’s recent submission (no. 132) to this Committee, they should be required “to cut governance and senior management costs”. In making these recommendations we believe that the Panel has failed to adequately take into account the role of smaller Shire Councils in remote rural areas.

The Committee’s terms of reference refer to Local Government delivering democratic structures to ensure that it remains close to the people it serves.

In a remote rural community “The Shire” is an important and integral part of the community which provides a wide range of services and generally interacts with Councillors and staff more often, more personally and on different levels to larger communities. Residents, rightly so, have a sense of ownership in “The Shire” and many Council staff, Councillors and their families contribute towards leadership, volunteer, community and other important roles within the community .

Councillors are well known by the majority of the community (unlike the relative anonymity of Councillors in larger areas) and - despite being part-time - are continuously approached by residents to discuss some aspect of “Shire” or other “Government” business. Indeed, because of our remoteness, Councillors often play a role almost akin to a “stand-in” for State and Federal members given the size of their electorates – and many of the issues that people in cities would raise with the offices of their State and Federal members are raised with local Councillors with a request to advocate on behalf of the community.

The idea that reducing the number of Councillors and/or Council meetings would be of major benefit to the financial sustainability of this rural Council does not stand scrutiny. Bogan Shire Councillors are paid the minimum permissible, \$8,130 per annum. Reducing the number of Councillors, even from nine to five, would only result in annual savings of around \$32,000. This might pay for an extra 1,500 metres of gravel resheeting out of a total of 1,200 kilometres of unsealed roads.

Senior staff in smaller rural Councils have a very hands-on role involving a significant amount of direct contact with the community and operational involvement with all aspects of the Council's business. The role of General Manager in Bogan Shire, for example, includes planning and participating in public events such as the Australia and Anzac Day ceremonies, regular meetings with representatives of outlying Shire villages, attendance at school events, frequent discussions with local residents and businesses on a variety of issues important to them and involvement in routine operational matters such as budgeting, planning and human resources with departmental managers.

Were local senior management costs to be cut through the elimination of local management positions, at best, many of these functions would have to be carried out by an official of the Joint Organisation – who being remote from the local community - would not have a full understanding of, or personal investment in, local community issues and outcomes. At worst, they would not get done at all, the community would be poorer for it and Local Government would certainly not be “close to the people it serves”.

In addition, inevitably, there would be a charge-out from the Joint Organisation for “management” functions and is doubtful whether a cost-benefit analysis comparing the difference between these costs and current costs and the loss of local leadership and management positions would produce results that showed the community being better off. Certainly there is no evidence presented to support this.

Local Government needs to be close to the people it serves. As an indication of community feeling regarding the Panel's view of what a rural remote Council should become is that, in a Bogan Shire Fit for the Future survey, 98% of respondents answered “no” to a question asking if they would support Bogan Shire becoming a Rural Council if this meant handing over local decision making / control to a JOC based in Dubbo.

Again, it is heartening to hear that the Government has taken notice of feedback from rural Councils and their communities and scrapped any idea of a different type of legislated Local Government model for rural Councils. Why should communities in rural areas have to put up with a second-best system of Local Government compared to more populated areas? Even though populations are low and sparse, compared to metropolitan areas, there are still people living here who call this part of Australia home and, if anything, they need more local government leadership, support and representation to combat disadvantage.

Rural remote areas need strong, functional and capable Local Governments with local Council representation to advocate on their behalf, staffed with local people who take pride in, and have an investment in, their towns.

Financial Sustainability

It shouldn't be assumed that all remote rural councils are financially unsustainable and unable to provide effective services without resorting to structural change involving reduced Councillor representation and fly-in-fly-out management services from a Joint Organisation based, in our case, two hours away in Dubbo. For example, in Submission 132 to the Committee, Professor Sansom says that "often these Councils are also struggling to maintain essential services to far-flung communities in the face of reductions in State and Federal service provision".

None of the four Councils within the OROC region identified as "rural councils" by the Panel can be said to be "struggling to maintain essential services to far-flung communities". The key to ongoing financial sustainability in Bogan Shire has always been – and will continue to be – living within our means, demonstrating a responsible approach to financial discipline.

By way of illustrating these points, Bogan Shire Council has demonstrated that we have already met – or come within a fraction of a percent of meeting – five of the seven Fit for the Future ratio benchmarks and our submission to IPART shows that we do meet all the Fit for the Future benchmarks well within the permissible time period without resorting to drastic structural or new legislated models of government.

The NSW Local Government Infrastructure Audit in 2013 gave Council a "Moderate" rating and commented that "Our view is that the reported backlog is manageable and in control". The NSW Treasury Corporation found in 2013 that "The Council's financial results have been satisfactory" and gave an FSR rating of "Moderate" with a "Neutral" outlook.

Bogan Shire Council has for several years achieved a balanced cash budget, has minimal debt, an adequate bank balance and a strong investment portfolio (as evidenced by an average Cash Expense Ratio of 6 months and an average Unrestricted Current ratio of 3.8).

Infrastructure Funding, Roads and Wise Investment

In his submission to the Committee, Professor Sansom refers to "ongoing problems of financial sustainability" for smaller population rural Councils with extensive road networks, stating that limited rates and responsibility for extensive road networks make these Councils dependant on grants and RMS road maintenance contracts.

Professor Sansom goes on to question whether "ever increasing" grant funding to these Councils is a "wise and sustainable use of taxpayer funds".

Bogan Shire Council would argue that an equitable share of Government revenue given to low-population, large-area, high-productivity Councils is indeed a wise use of taxpayer funds.

The four Councils within the OROC region identified as "rural" by the Panel contributed \$517 million to Gross Regional Product in 2012 according to figures produced by Regional Development Australia, Orana. Agriculture was a key industry sector in common for all these Councils. In the same year they received \$4.6 million in the local roads component of Financial Assistance Grants indicating a not insubstantial return on investment for the national economy. So yes, this is a wise use of taxpayer funds and mooted increases to Financial Assistance Grants in rural remote areas will allow those Councils to reduce or eliminate asset backlogs and provide an equitable level of service to rural residents and businesses.

In Bogan Shire's case the NSW Local Government Infrastructure Audit in 2013 concluded that "Our view is that the reported backlog is manageable and in control". Council's roads backlog should be largely eliminated within 2 years, due to measures taken by Council to reallocate funding to renewal works as well as the increase in Roads to Recovery funding. Ironically any remaining backlog is likely to be on regional roads where the State Government Block Grant does not appear to be sufficient to prevent these roads from falling into a sub-standard condition.

Regional Cooperation and Shared Services

Strong, participative regional alliances are essential, particularly for smaller Councils. Bogan Shire Council is committed to strong regional cooperation as pursued in our successful membership of the Orana Regional Organisation of Councils over many years and believes that this can be translated to the new Joint Organisation model.

It's worth noting that regional cooperation is not a new concept. Bogan Shire Council already participates in more than 13 regional initiatives / organisations which provide opportunities for resource sharing, accessing skills and reducing costs by benefiting from economies of scale including OROC (strongly collaborative with functional relationships) and the award-winning Lower Macquarie Water Utilities Alliance.

Some further scope exists for sharing costs and services such as redirecting expenditure on consultants to the Joint Organisation, for example, or the current proposal of the four Councils within the OROC region identified as "rural" by the Panel to investigate shared asset management services.

Bogan Shire will, however, pursue a cautious approach to more general shared services. So-called "back office" functions involving large amounts of routine processing are often put forward as ideal opportunities for outsourcing. Given that any savings in staff costs would be offset by the inevitable service charges for these functions from the Joint Organisation there is no guarantee that the service could be delivered any cheaper. More significantly, in a smaller rural community the Shire is a major employer and the loss of, say for example, even three "back office" jobs from a small town has a significant ripple effect on the local economy and community identity.

Conclusion

Communities in remote rural areas have strong ties to their Shire Council, relying on it to provide effective and responsive services, maintain standards and provide advocacy on their behalf.

The protracted Fit for the Future process, whilst useful in some respects – focussing attention on the need for better asset management planning, for example – has been very time consuming and a distraction from normal operational and urgent matters for Councillors and Council staff. Bogan Shire looks forward to the satisfactory conclusion of the process so that it can get on with the business of "delivering democratic structures [and services] to ensure that it remains close to the people it serves".

Yours sincerely

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Bogan Shire Council