

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Maitland City Council

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1. Introduction

The Maitland local government area (LGA) is situated at the centre of the lower Hunter Valley, 90 minutes to the north of Sydney. The LGA covers an area of 369km² and has a population currently estimated at 74,000. The Council's governing body comprises 12 councillors and a Mayor elected by popular vote. The Council is a long term member of Hunter Councils, being the regional organisation of the 11 member councils of the Hunter Region, and one of the five (5) pilot 'Joint Organisations' engaged in the development of the regional joint organisation model contemplated in the 'Fit for the Future' (F4F) framework.

This submission has been prepared in accordance with a resolution of Maitland City Council dated 29 June 2015.

The author of this submission is Mr David Evans, General Manager, Maitland City Council. Mr Evans is also Chairman of the Hunter Councils General Managers Advisory Committee.

2. The NSW Government 'Fit for the Future' reform agenda

- 2.1 Maitland City Council advocates strongly for the reform of the system of local government in New South Wales, based on the holistic nature of the recommendations of the Independent Local Government Review Panel (ILGRP) as now adopted by the New South Wales Government. Council's support for reform is evidenced in the attached response to the recommendations of the ILGRP.
- 2.2 It is this Council's position that responsible local government, and indeed good business, compels all councils to consider their longer term financial sustainability and in doing so, to engage openly and transparently in a conversation with their community about their capacity to maintain the scope and level of services they provide, and how these services will be funded.
- 2.3 Whilst the *NSW Local Government Act 1993* provides the structure and mechanisms for such a conversation (through the Integrated Planning and Reporting Framework or 'IP&R') it remains open to existing or newly elected councils as to the extent to which they use the IP&R framework for this purpose.
- 2.4 Council views the F4F framework and in particular, the performance criteria and associated benchmark values, as an appropriate mechanism to compel every council in NSW to undertake an objective review of its future capacity, capability and sustainability, and then in consultation with its community, determine how it might best respond to the outcomes of that review.
- 2.5 Council does not suggest the F4F framework should replace the IP&R framework. Rather, that the outcomes of the reviews conducted by councils in order to respond to the F4F performance criteria, will provide councils and their communities with the essential data and information needed to develop informed and realistic outcomes from their IP&R processes, and regardless of whether their F4F response is to merge or to pursue the 'stand alone' improvement path.

3. The financial sustainability of the local government sector in NSW

- 3.1 Factors of and contributors to the financial sustainability of local government in NSW have been widely debated and reported on. It is this Council's position that the recommendations of the ILGRP in relation to 'Strengthening Revenues' if implemented, go some considerable way toward addressing the financial sustainability of local government in NSW. Council supports and agrees with the F4F benchmarks for operational sustainability, and supports the Government's position of providing access to a simplified special rate variation process, and capital at a reduced borrowing cost, in implementing their accepted and approved F4F proposals.

Council makes no comment with respect to the benchmarking of state and federal governments in Australia.

4. The scale of local councils in NSW

- 4.1 Council's only comment in relation to the scale of local councils in New South Wales is to suggest that scale is but one factor in relation to the ability of a council to provide and meet the service needs of its community. It should not be considered in isolation from other criteria relating to the capacity of local councils. For local councils where scale is a limiting factor, these limitations can be addressed through other mechanisms, including alternative methods of service delivery, using so-called co-operative models for local government.

5. The role of IPART in reviewing the future of local government in NSW, assisted by South Australian commercial consultant

- 5.1 Council supports the appointment of IPART as the independent body tasked to review the proposals presented by councils under the F4F framework. Council considers that the past and current role of IPART in assessing and determining special rate variations for councils in NSW, and in doing so, reviewing the long term financial plans, resourcing strategies and related delivery programs of councils, provides IPART with experience, knowledge and context appropriate to the review of F4F proposals.
- 5.2 Council makes no specific comment with respect to the appointment of 'a South Australian commercial consultant' to assist IPART, other than to note that the appointee, Mr John Comrie, has a background in local government having worked as a local council CEO, as Executive Director of the South Australian equivalent of Local Government NSW and as Executive Director of the South Australian equivalent of the NSW Office of Local Government.

6. Amalgamations and mergers

- 6.1 Council notes that it is the current policy position of both the NSW Government and the NSW Opposition that local government reform in NSW will not be by forced amalgamation/merger of councils.
- 6.2 Council supports the preparation of merger business cases to identify both the costs and benefits of mergers, in order to provide an objective and informed basis for the consideration and determination of merger proposals by councils. This position is underpinned by this Council's response to 'Recommendation 47' of the ILGRP, which seeks "evidence-based responses from Hunter and Central Coast councils to the Panel's proposals for mergers". Council, therefore, supports the preparation of merger business cases as a means of providing an evidence-based response to merger proposals generally.
- 6.3 The preparation of a comprehensive merger business case identifies costs and benefits, implications for infrastructure investment and maintenance, implications for employment and redundancy, issues relating to representation, implications in relation to rating, and risks associated with a merger. Provided the business case is objective, honest and based on reasonable assumptions (as would be reviewed and tested by IPART), it provides a basis for assessment of the balance between benefits and costs, and therefore, whether a merger is or is not viable. In doing so, the business case also provides a basis for the assessment of likely future rating implications under a merger.

7. The role of co-operative models for local government including the 'Fit for the Future's' own Joint Organisation

- 7.1 Maitland City Council strongly advocates for the introduction of the regional 'Joint Organisation' contemplated in the F4F reform proposals. In doing so, Council acknowledges its membership of Hunter Councils (the Hunter Region Organisation of Councils) and that Hunter Councils is one of the five pilot Joint Organisations selected to evolve the Joint Organisation model.
- 7.2 Council sees the fundamental and primary purpose of the regional Joint Organisation as providing an entity and mechanism for communication, co-operation, and collaboration between local government and state government on regional issues, priorities and services, and to provide for a genuine partnership between local and state governments in NSW.
- 7.3 Council sees a secondary role and purpose for regional Joint Organisations in facilitating arrangements for shared services, shared resources, and solutions to common issues or problems, through utilisation of the most appropriate of the existing models for such arrangements, including strategic alliances, incorporated associations, company structures and common service agreements. However, Council distinguishes the role of the Joint Organisation in this area to be one of facilitator only. It is this Council's view that the Joint Organisation should not itself engage in service delivery but rather, rely on the existing mechanisms mentioned, and through which shared services can be readily provided.

8. Conclusion

- 8.1 In concluding this submission, Maitland City Council urges the Government to focus on the totality of the Fit for the Future process and do all it can to progress and implement the full suite of actions needed to reform and improve the system of local government in New South Wales. The current focus of reform debate and commentary on mergers and amalgamations belies the significance of the many actions needed in the areas of fiscal responsibility, strengthening revenues, improved productivity, political leadership and improved co-operation between local and state governments, in order to secure a sustainable future for local government in New South Wales.
- 8.2 As author of the report, Mr Evans would welcome the opportunity to speak to the report with the Committee.

Mr David Evans
General Manager

Cr Peter Blackmore
Mayor

**Maitland City Council's Response to
Revitalising Local Government
Final Report of the NSW Independent Local Government Review Panel - Recommendations**

Recommendations for fiscal responsibility		Council's Response
1	Establish an integrated Fiscal Responsibility Program, coordinated by DLG and also involving TCorp, IPART and LGNSW to address the key findings and recommendations of TCorp's financial sustainability review and DLG's infrastructure audit (5.1 and 5.3)	Supported subject to review of, and agreement on, the source data to be used as a basis to the program.
2	As part of the program: <ul style="list-style-type: none"> • Adopt an agreed set of sustainability benchmarks (5.1) • Introduce more rigorous guidelines for Delivery Programs as proposed in Box 9 (5.2) • Commission TCorp to undertake regular follow-up sustainability assessments (5.3) • Provide additional training programs for councillors and staff (5.3) • Require all councils to employ an appropriately qualified Chief Financial Officer (5.3) 	<ul style="list-style-type: none"> • Supported subject to consistent and accurate data collection. • Supported. • Supported subject to review of, and agreement on, the source data to be used. • Supported. • Supported to the extent that councils should establish a 'CFO' role and function in the same sense that the 'Public Officer' role is provided for in the current Act. Employment of a 'CFO' should not be prescribed. Rather, the role could be fulfilled by requiring that councils 'assign' a 'CFO' role within their organisation or, alternatively, establish agreed access to the resources of an appropriate 'CFO'.
3	Place local government audits under the aegis of the Auditor General (5.4)	Supported in principle but should not extend to the AG conducting the audit of councils. AG should set the audit framework/standards, oversee the audit process and report annually on the collective position of councils.
4	Ensure that the provisions of the State-Local Government Agreement are used effectively to address cost-shifting (5.5)	Fully supported.

Recommendations for Strengthening Revenues		Council's Response
5	Require councils to prepare and publish more rigorous Revenue Policies (6.1)	Qualified support. Clarification is required as to the outcomes sought. Key issue is to ensure that rating/revenue policies are regularly and objectively reviewed to ensure that established taxation principles are adhered to, ie equity, efficiency, simplicity, sustainability and policy consistency.
6	Commission IPART to undertake a further review of the rating system focused on: <ul style="list-style-type: none"> • Options to reduce or remove excessive exemptions and concessions that are contrary to sound fiscal policy and jeopardise councils' long term sustainability (6.2) 	<ul style="list-style-type: none"> • Supported.

Recommendations for Strengthening Revenues		Council's Response
	<ul style="list-style-type: none"> More equitable rating of apartments and other multi-unit dwellings, including giving councils the option of rating residential properties on Capital Improved Values, with a view to raising additional revenues where affordable (6.3) 	<ul style="list-style-type: none"> Qualified support. Potential impacts on pensioners and self-funded retirees should be considered, and socio-economic analysis should be part of the decision. Noted that the current pensioner rebate requires review and/or additional funding as a Federal/State welfare issue. Optional use of capital improved value for rating is supported.
7	Either replace rate-pegging with a new system of 'rate benchmarking' or streamline current arrangements to remove unwarranted complexity, costs, and constraints to sound financial management (6.5)	<p>Both alternatives are supported but the local government cost index needs to be realistic and make provision for:</p> <ul style="list-style-type: none"> Adjustment on the basis of regional/market factors Proper consideration of construction cost increases. <p>The rate peg, should it continue in any form or for any agreed period prior to a decision on the alternatives put forward, should also make provision for infrastructure backlog works.</p>
8	Subject to any legal constraints, seek to redistribute federal Financial Assistance Grants and some State grants in order to channel additional support to councils and communities with the greatest needs (6.6)	Supported subject to an agreed, rigorous and fair methodology to achieve this.
9	<p>Establish a State- borrowing facility to encourage local government to make increased use of debt where appropriate by:</p> <ul style="list-style-type: none"> Reducing the level of interest rates paid by councils Providing low-cost financial and treasury management advisory services (6.7) 	Strongly supported. Should also accommodate borrowing terms relevant to the term of life of the asset.
10	Encourage councils to make increased use of fees and charges and remove restrictions on fees for statutory approvals and inspections, subject to monitoring and benchmarking by IPART (6.8)	Supported. Fees should reflect an appropriate level of cost recovery based on service level, user benefit and principles of equity.

Recommendations for Meeting Infrastructure Needs		Council's Response
11	Factor the need to address infrastructure backlogs into any future rate-pegging or local government cost index (7.1)	Strongly supported. Cost index needs (again) to allow for regional market and location factors.
12	Maintain the Local Infrastructure Renewal Scheme (LIRS) for at least 5 years, with a focus on councils facing the most severe infrastructure problems (7.2)	Supported but requires broader scope in terms of eligible projects and longer payback periods more representative of asset life.
13	<p>Pool a proportion of funds from the roads component of federal Financial Assistance Grants and, if possible, the Roads to Recovery program in order to establish a Strategic Projects Fund for roads and bridges that would:</p> <ul style="list-style-type: none"> Provide supplementary support for councils facing severe infrastructure backlogs that cannot reasonably be funded from other available sources <p>Fund regional projects of particular economic, social or environmental value (7.2)</p>	<ul style="list-style-type: none"> Supported in principle: <ul style="list-style-type: none"> Should reflect principles underpinning the redistribution of FAGs (Recommendation 8). Requires rigorous and transparent process. Should not result in shifting of cost to local government. Expenditure should be based on sound asset management planning Should not work to the detriment of local council asset management plans. Supported.

Recommendations for Meeting Infrastructure Needs		Council's Response
14	Require councils applying for supplementary support from the Strategic Projects Fund to undergo independent assessments of their asset and financial management performance (7.2)	Supported.
15	Carefully examine any changes to development (infrastructure) contributions to ensure there are no unwarranted impacts on council finances and ratepayers (7.3)	Strongly supported.
16	Adopt a similar model to Queensland's Regional Roads and Transport Groups in order to improve strategic network planning and foster ongoing improvement of asset management expertise in councils (7.4)	Supported as a function of proposed Joint Organisations.
17	Establish Regional Water Alliances as part of new regional Joint Organisations proposed in section 11 (7.5).	Water Alliances supported but should be run by the relevant member councils, rather than the Joint Organisations. It should not be mandatory that such alliances be run as a direct function of the Joint Organisations.

Recommendations for Improvement, Productivity and Accountability		Council's Response
18	Adopt a uniform core set of performance indicators for councils, linked to IPR requirements, and ensure ongoing performance monitoring is adequately resourced (8.1)	Supported.
19	Commission IPART to undertake a whole-of-government review of the regulatory, compliance and reporting burden on councils (8.2)	Supported.
20	Establish a new sector-wide program to promote, capture and disseminate innovation and best practice (8.3)	Supported.
21	Amend IPR Guidelines to require councils to incorporate regular service reviews in their Delivery Programs (8.4)	Supported.
22	Strengthen requirements for internal and performance auditing as proposed in Box 17 (8.5)	Supported.
23	Introduce legislative provisions for councils to hold Annual General Meetings (8.6)	Not supported as proposed. No tangible benefit beyond that of community engagement and reporting under IP&R.
24	Develop a NSW Local Government Workforce Strategy (8.7)	Requires clarification of outcomes sought from a 'State' strategy.
25	Explore opportunities for the Local Government Award to continue to evolve to address future challenges facing the sector and changing operational needs.	Supported. General Managers should also have input to award negotiations/award evolution, and be party to the award. The award should also acknowledge and provide for consideration of financial sustainability in negotiations of and under the award.

Recommendations for Political Leadership and Good Governance		Council's Response
26	<p>Amend the Local Government Act to strengthen political leadership:</p> <ul style="list-style-type: none"> Require councils to undertake regular 'representation reviews' covering matters such as the number of councillors, method of election and use of wards (9.1) Before their nomination is accepted, require all potential candidates for election to local government to attend an information session covering the roles and responsibilities of councillors and mayors (9.1) Amend the legislated role of councillors and mayors as proposed in Boxes 19 and 21, and introduce mandatory professional development programs (9.2 and 9.3) Provide for full-time mayors, and in some cases deputy mayors, in larger councils and major regional centres (9.3) Amend the provisions for election of mayors as proposed in Box 22 (9.3) 	<ul style="list-style-type: none"> Supported in principle. Mandatory professional development should be limited to core activities, eg IP&R, Code of Conduct, and Meeting Procedures. Supported. Supported: See above comment regarding mandatory professional development for elected members. Supported. Supported.
27	Increase remuneration for councillors and mayors who successfully complete recognised professional development programs (9.2-9.4)	Not supported. Could be divisive. Completion of PD does not guarantee better performance. Focus needs to be on getting good, skills-based candidates.
28	Amend the legislated role and standard contract provisions of General Managers as proposed in Boxes 23 and 24	Supported.
29	Amend the provisions for organisation reviews as proposed in section 9.6	Supported.
30	Develop a Good Governance Guide as a basis for 'performance improvement orders' and to provide additional guidance on building effective working relationships between the governing body, councillors, mayors and General Managers	Supported.

Recommendations to Advance Structural Reform		Council's Response
31	Introduce additional options for local government structures, including regional Joint Organisations, 'Rural Councils' and Community Boards, to facilitate a better response to the needs and circumstances of different regions (10.1)	Supported with emphasis on 'options'.
32	Legislate a revised process for considering potential amalgamations and boundary changes through a re-constituted and more independent Boundaries Commission (10.3)	Supported.
33	Encourage voluntary mergers of councils through measures to lower barriers and provide professional and financial support (10.4)	Supported.
34	Provide and promote a range of options to maintain local identity and representation in local government areas with large populations and/or diverse localities (10.5)	Supported.

Recommendations for Regional Joint Organisations		Council's Response
35	<p>Establish new Joint Organisations for each of the regions shown on Maps 2 by means of individual proclamations negotiated under new provisions of the Local Government Act that replace those for County Councils(11.5)</p> <ul style="list-style-type: none"> Defer establishment of JOs in the Sydney metropolitan region, except for sub-regional strategic planning, pending further consideration of options for council mergers (11.5) Enter into discussions with 2-3 regions to establish 'pilot' JOs (11.5) Re-constitute existing County Councils as subsidiaries of new regional Joint Organisations, as indicated in Table 5 (11.2) Establish Regional Water Alliances in each JO along the lines proposed in the 2009 Armstrong-Gellatly report (11.3) Set the core functions of Joint Organisations by means of Ministerial Guidelines (11.6) Seek federal government agreement to make JOs eligible for general-purpose FAGs (11.6) 	<p>Supported subject to boundary determination allowing consideration of community of interest factors and local community/council preferences/benefits. In relation to the exclusion of both Great Lakes Council and Gloucester Council from the suggested Hunter JO, it is the position of Hunter Councils that this is a matter for determination at a local/regional level. Hunter Councils advocate that the current 'regional' boundary should be maintained unless determined otherwise by member councils.</p> <ul style="list-style-type: none"> No comment. Hunter Councils is well placed to – and will – pilot the formation of a Joint Organisation. Supported. Not supported at this stage. Further consideration needed. See earlier comment. Supported in principle. Strategic functions agreed but extend to mandating of shared services. Not supported at this stage. Creates potential fourth tier of government. Further detail required.
36	<p>Identify one or more regional centres within each Joint Organisation and:</p> <ul style="list-style-type: none"> Create a network of those centres to drive development across regional NSW (11.7) Consider potential mergers of councils to consolidate regional centres, as indicated in Table 6 (11.7) 	<p>Not supported. Regional economic development may be a function of/driven by Joint Organisations.</p>
37	<p>Develop close working partnerships between Joint Organisations and State agencies for strategic planning, infrastructure development and regional service delivery (11.8), and</p> <ul style="list-style-type: none"> Add representatives of Joint Organisations to State agency Regional Leadership Groups (11.8) Give particular attention to cross-border issues and relationships in the operations of Joint Organisations and in future regional strategies (11.9) 	<ul style="list-style-type: none"> Supported: Already in place in the Hunter through Hunter Councils. Supported in principle. Requires further qualification.

Recommendations for 'Rural Councils' and Community Boards		Council's Response
38	Establish a working party as part of the Ministerial Advisory Group proposed in section 18 to further develop the concept of 'Rural Councils' for inclusion in the re-written Local Government Act (12.1)	Supported.
39	Include provisions for <i>optional</i> Community Boards in the re-written Act, based on the New Zealand model, but also enabling the setting of a supplementary 'community rate' with the approval of the 'parent' council (12.2)	'Optional' community boards supported. 'Community rate' not supported – potentially divisive issue within broader council area and difficult to manage.

Recommendations for Metropolitan Sydney		Council's Response
40	Strengthen arrangements within State government for coordinated metropolitan planning and governance, and to ensure more effective collaboration with local government (13.1)	Not applicable.
41	Seek evidence-based responses from metropolitan councils to the Panel's proposals for mergers and major boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission (13.3)	Not applicable.
42	Prioritise assessments of potential changes to the boundaries of the Cities of Sydney and Parramatta, and <ul style="list-style-type: none"> Retain a separate City of Sydney Act to recognise its Capital City role Establish State-local City Partnership Committees for Sydney and Parramatta along the lines of Adelaide's Capital City Committee (13.4) 	Not applicable.
43	Pending any future action on mergers, establish Joint organisations of councils for the purposes of strategic sub-regional planning (13.5)	Not applicable.
44	Maximise utilisation of the available local government revenue base in order to free-up State resources for support to councils in less advantaged areas (13.6)	Not applicable.
45	Continue to monitor the sustainability and appropriateness in their current form of the Hawkesbury, Blue Mountains and Wollondilly local government areas (13.7)	Not applicable.
46	Promote the establishment of a Metropolitan Council of Mayors (13.8)	Noted.

Recommendations for Hunter, Central Coast and Illawarra		Council's Response
47	Seek evidence-based responses from Hunter and Central Coast councils to the Panel's proposals for mergers and boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission (14.1 and 14.2)	Evidence based responses are supported. Individual responses will be provided by the affected councils.
48	Defer negotiations for the establishment of a Central Coast Joint Organisation pending investigation of a possible merger of Gosford and Wyong councils (14.2)	Not applicable.
49	Pursue the establishment of Joint Organisations for the Hunter and Illawarra in accordance with Recommendation 35 (14.1 and 14.3)	Hunter Councils will pilot the formulation of a Joint Organisations.

Recommendations for Rural and Regional Councils		Council's Response
50	Explore options for non-metropolitan councils in Group A as part of establishing the Western Region Authority proposed in section 16 (15.1)	Not applicable.
51	Refer councils in Groups B-F to the Boundaries Commission in accordance with Table 11 and the proposed timeline (15.1)	Not applicable.
52	Complete updated sustainability assessments and revised long term asset and financial plans for the 38 councils identified in Table 11 by no later than mid-2015 (15.2)	Not applicable.

Recommendations for the Far West		Council's Response
53	Agree in principle to the establishment of a Far West Regional Authority with the functions proposed in Box 39 and membership as proposed in Figure 9 (16.3)	Not applicable.
54	Adopt the preferred new arrangements for local government set out in Box 40 as a basis for further consultation (16.4)	Not applicable.
55	Establish a project team and reference group of key stakeholders within the DPC Regional Coordination Program to finalise proposals (16.5)	Not applicable.

Recommendations for State-Local Government Relations		Council's Response
56	Use the State-Local Agreement as the basis and framework for a range of actions to build a lasting partnership, and negotiate supplementary agreements as appropriate (17.2)	Strongly supported.
57	Introduce new arrangements for collaborative, whole-of-government strategic planning at a regional level (17.3)	Strongly supported. Critical to future sustainability. Will be assisted by alignment of JO/State regional boundaries where possible.
58	Amend the State Constitution to strengthen recognition of elected local government (17.4)	Strongly supported.

59	Seek advice from LGNSW on the measures it proposes to take to meet its obligations under the State-Local Agreement (17.5)	Strongly supported.
60	Strengthen the focus of DLG on sector development and seek to reduce its workload in regulation and compliance (17.6)	Strongly supported.

Recommendations for Driving and Monitoring Reform		Council's Response
61	Establish a Ministerial Advisory Group and Project Management Office (18.1 and 18.2)	Supported subject to skills and experience based appointments to the group. LGMA representation should be considered.
62	Refer outstanding elements of the Destination 2036 Action Plan to the Ministerial Advisory Group (18.1)	Supported subject to comments above.
63	Adopt in principle the proposed priority initial implementation package set out in Box 42, as a basis for discussions with LGNSW under the State-Local Government Agreement (18.3)	Generally supported. Focus needs to remain on financial sustainability/fiscal aspects as first priority, formulation of Joint Organisations as second, followed then by revised boundaries commission role.
64	Further develop the proposals for legislative changes detailed in Boxes 43 and 44, and seek to introduce the amendments listed in Box 43 in early 2014 (18.5)	Supported.
65	Adopt in principle the proposed implementation timeline (18.6)	Subject to amendment reflecting the delayed completion/release of the report and recommendations.