

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Urban Taskforce Australia

Date received: 3/07/2015

3 July 2015

The Director

General Purpose Standing Committee No.6

Parliament House

Macquarie Street

Sydney NSW 2000

Dear Sir/Madam,

Legislative Council – General Purpose Standing Committee – Inquiry into Local Government - NSW

The Urban Taskforce has reviewed the information provided regarding the Legislative Council Inquiry into Local Government – NSW, and the supporting material and we have identified a number of issues worthy of further consideration. Our comments are provided in our submission (attached).

The Urban Taskforce has previously made a number of submissions to the NSW Government regarding proposed reforms to local government. This includes a number of publications and research documents. We have included some of these for your review. In developing our position we have had extensive discussion with a number of local councils, with the government's review panel and with our members in the property development industry. From this work has come a clear picture of how the Urban Taskforce sees a successful reform outcome.

I confirm that the Urban Taskforce supports local government reform strategies that are economically sound and recognises the important role of private sector investment and urban growth and density. We are always willing to work closely with the Government and the relevant stakeholders to provide a development industry perspective on the proposed reforms to local government. We are happy to present our findings to the Committee for further discussion. Should you require any further clarification on the content of our submission, please feel free to contact me

Yours sincerely

Urban Taskforce Australia

Chris Johnson AM

Chief Executive Officer

Legislative Council General Purpose Standing Committee Inquiry into Local Government – NSW

Submission to the Legislative Council – General Purpose
Standing Committee prepared by **Urban Taskforce
Australia**, July 2015

1. Urban councils are our focus

Local government in NSW falls into 2 types – urban councils, which cover highly urbanised areas such as Sydney, Newcastle and Wollongong and their immediate surrounding areas, and regional / rural councils. Generally the rural councils have small populations spread across large areas and there is little new development. From a property development perspective we do not see the need for significant change in rural and regional councils. Urban councils need significant reform as a culture that opposes property development, density and growth has arisen in many metropolitan councils. Our submission focuses primarily on these councils.

2. The current local government system is not performing

The culture in many councils in the Sydney metropolitan area has become one which is highly 'risk averse' and excessively influenced by small but vocal minorities of the community that are wary of change. This is understandable at a local level as councils are there to look after their constituents and community, but at the larger scale of the metropolitan area, growth and development is not being adequately managed and is unduly influenced by small groups of objectors.

The Department of Planning & Environment has calculated that population growth within the Sydney metropolitan area over the next 20 years will require an additional 33,200¹ new dwellings each year. The Urban Taskforce believes the real figure should be closer to 40,000 new dwellings a year due to the significant undersupply already existing in the Sydney housing market. In the 2013/2014 financial year, only 22,750 dwellings were completed in the Sydney metropolitan area.

We believe local thinking on strategic planning is threatening the future prosperity of Sydney and Sydney's status as a 'global city' and economic powerhouse of Australia. Sydney needs a new governance structure that ensures growth is well managed but this must incorporate the relative roles of local and state governments in Australia.

3. The roles of state and local government in NSW must be defined

A 2012 report produced by Urban Taskforce Australia and Percy Allen & Associates titled 'Sydney's Liveability Crisis – Reforming Local Government' found that Australia's local government contributes only 2%² of Gross Domestic Product (GDP) to Australia's overall GDP, compared to the USA at 8% and the UK at 12%. Our local government organisations (councils) have a low economic impact because the state government delivers many of the services that are delivered by local government in other countries. In other parts of the world local government runs schools, health, public transport and police.

We believe that state governments must be responsible for cities in Australia and that increasing the size and influence of local councils will create a tension between the state and local levels of government. More concerning will be the lack of clear responsibilities between the two tiers of government for the delivery of infrastructure and services. We believe that local councils should focus on local issues and the state government on regional and metropolitan wide issues.

¹ Department of Planning & Environment (2014) *A Plan for Growing Sydney*. This is calculated by using the overall projected demand for dwellings from 2011 – 2031 and dividing this by 20 to derive an annual production rate.

² Urban Taskforce Australia & Percy Allen & Associates (2012) *Sydney's Liveability Crisis – Reforming Local Government*, www.urbantaskforce.com.au/liveability-crisis/

4. Urban infrastructure must be identified and managed by the state government

The state government runs the NSW public transport system and major road networks across urban areas. It is also the state government that plans and builds crucial new infrastructure, for example the Sydney Metro rapid transit rail network and WestConnex. It is therefore critical that the state government takes a leadership role on key infrastructure projects that cover many council areas. The NSW government has established Infrastructure NSW as a state agency to initiate these larger projects and to ensure that they are economically viable.

The state government is also establishing the Greater Sydney Commission (GSC) to ensure that planning and infrastructure provision are undertaken on a metropolitan wide basis. There needs to be a constructive relationship with local councils but this does not necessarily mean that amalgamating smaller councils to form very large council organisations will result in these organisations building a better relationship with state government agencies. It is the subregional level of interaction as, outlined in the Metropolitan Strategy, *A Plan for Growing Sydney*, where the constructive dialogue between state and local governments must occur. Ideally, the GSC should manage the regional planning, large project approvals and the delivery of infrastructure, establishment of housing and growth targets and monitoring of the performance of local councils.

5. A shared service centre approach can increase efficiency while keeping councils local

The benefits of larger scale thinking for councils can come by combining number of services from individual councils into a shared service centre that acts on behalf of individual councils. The current Sydney Metropolitan Strategy, *A Plan for Growing Sydney*, has divided Sydney into 6 subregions to manage growth. We believe that those councils located within a subregion should pool strategic and development assessment planning staff and resources into a shared planning 'Centre of Excellence'. It is important to separate planning professionals from the undue influence of local councillors who prioritise very local concerns and do not consider issues from a wider, strategic perspective. This will allow planners to act as impartial professionals and foster a cultural change in planning from being opposed to growth to managing growth. In the Hunter Region, 11 councils operate a shared service centre to make procurement and the delivery of a number of services, including engineering and legal services, more efficient.

The Urban Taskforce outlined 20 key actions to reform Sydney's councils in study titled '*Reforming Sydney's councils – 20 essential actions*³' (attached) which provides further information on shared service centres and the benefits of this approach.

6. Local councils should remain local and become more efficient

Local councils should focus on local scale planning issues and services the local community desires. Clusters of councils should implement shared service centres to deliver services back to each council. In this way the benefits of size and scale can occur where it is appropriate.

A detailed report titled '*Sydney's Liveability Crisis – Reforming Local Government*', authored by the Urban Taskforce and Percy Allen & Associates Pty Ltd (www.urbantaskforce.com.au/liveability-crisis), and an issue of the journal Urban Ideas, '*Keeping the Local in Local Government while improving*

³ Urban Taskforce (July 2013) *Reforming Sydney's councils – 20 essential actions*

efficiency⁴ both provide detail on potential improvements to the management and structure of local councils.

A copy of Urban Ideas is enclosed. This report and journal article both advocate that councils are key as local place managers for local precincts, but a broader approach to manage regional infrastructure and planning issues would be more appropriate. The successful Lakewood model of local government in America where many services are contracted out has developed as a way to improve the effectiveness of council services without requiring amalgamations.

7. Size does not indicate efficiency

It is also important to note that councils that encompass a large population do not necessarily result in superior financial performance. Using data from the recent release of performance data on councils over 2013 – 2014 from the Office of Local Government, we have compared the councils with the largest population against their ranking in regard to financial performance, based on their 'Operating Performance Ratio' (OPR) within the Sydney metropolitan area⁵. The largest of Sydney's 41 councils, Blacktown, with 325,000 people came in at 35 of the 41 councils on the Operating Performance Ratio, which measures council's expenditure to revenue ratio. The second biggest, Sutherland with 223,000 people, comes in at 27th, the third biggest Fairfield with 201,000 people is 30th, fourth is Bankstown with 197,000 at number 33 and the fifth biggest Liverpool with 195,000 is 35th. The councils with the five biggest populations were in the bottom 30% of the 41 Sydney metropolitan councils with regards to OPR.

Council	Population	Operating Performance Ratio – Rank out of 41 Councils
Blacktown City Council	325,185	35 th out of 41
Sutherland Shire Council	223,192	27 th out of 41
Fairfield City Council	201,427	30 th out of 41
Bankstown City Council	196,974	33 rd out of 41
Liverpool City Council	195,355	34 th out of 41

A number of measures other than the size in the government's performance data seem to be more significant in influencing the OPR. Population density is one where both Waverley and the City of Sydney Councils each have over 7,000 people per square kilometre and both have excellent OPRs. The other high performing councils in the Sydney metropolitan area are those councils that obtain significant revenue from business rates that supplement the residential rates. Last financial year the City of Sydney gained \$190 million from business rates compared to \$49 million from residential rates while Parramatta Council earned \$45 million from business rates, just ahead of the \$42 million in residential rates.

8. Amalgamation of councils should occur when possible

While a shared service centre, or joint organisation will improve the efficiency of many council services and relate better to the state government agencies the Urban Taskforce also supports amalgamations. Our concern is that voluntary amalgamations do not seem to lead to an appropriate clustering of councils into larger structures. The government may decide to force amalgamations into a structure that reflected a more regional approach similar to the subregional areas contained in the

⁴ Urban Taskforce Australia (September 2012) *Urban Ideas: Keeping the local in local government while improving efficiency*

⁵ NSW Independent Local Government Review Panel (October 2013) *'Revitalising Local Government'*

Metropolitan strategy. If this does not occur in a fully structured way but some councils do want to amalgamate then this should be supported. There are some very small councils in metropolitan Sydney and a larger size could lead to improved effectiveness of service delivery.

9. Summary of our position

The Urban Taskforce is concerned with how services that relate to strategic planning, service delivery, infrastructure provision and assessment processes for large projects are effectively delivered for Metropolitan Sydney. As both state and local government are involved in different ways in the provision of the services effective delivery will come from how the two levels of government work together. There is a possibility that responsibilities for service delivery could become confused if both levels take equal responsibility. We believe the state must be the major driver and that it can relate to groupings of councils through shared service centres of planning professionals.

Essentially the state drives macro city wide initiatives and service delivery, councils deliver local services and through a shared service centre the two levels interact. This would mean the current Regional Organisations of Councils will not be needed.

10. Presentation to the General Purpose Standing Committee

The Urban Taskforce requests the opportunity to make a presentation to the General Purpose Standing Committee as part of their investigations into this issue.