

**Submission
No 98**

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Fairfield City Council

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

Inquiry into Local Government in New South Wales

Fairfield City Council (FCC) welcomes the opportunity to respond to the inquiry into Local Government in New South Wales (NSW), from the Legislative Council's General Purpose Standing Committee No.6.

Fairfield is a large and financially strong Council which is committed to supporting the needs of its community, including the delivery of services to its culturally diverse and disadvantaged communities. Fairfield City is located in Sydney's south west and is approximately 32 kilometres from the Sydney CBD. The City includes 27 suburbs and is bounded by Blacktown, Holroyd, Parramatta, Bankstown, Liverpool and Penrith City Councils. Fairfield City is home to over 203,109 people and is currently the third largest by population in the Sydney Metropolitan area.

Council's Fit for the Future (FFF) proposal to IPART made a strong case that it has the scale, capacity and financial sustainability to remain as a standalone council. In fact, over the next ten years, FCC is stronger against the FFF financial criteria than the proposed amalgamated Fairfield/Liverpool Council.

Items corresponding to the Legislative Committee's Terms of Reference (ToR)

(a) the New South Wales Government's 'Fit for the Future' reform agenda

The Independent Local Government Review Panel's (ILGRP) final report 'Revitalising Local Government' presented 65 recommendations which it believed would strengthen the Local Government sector. The NSW Government's 'Fit for the Future' (FFF) reform agenda has only selected the structural reform recommendations from the ILGRP's report.

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If many of the other recommendations from the ILGRP's report were implemented prior to consideration of structural reform, it would have better assisted the Local Government sector. Additionally, to have councils consider amalgamations in isolation to the other recommendations is contrary to the ILGRP's view that:

“The challenges facing Local Government can only be addressed successfully through an integrated package of measures, and the Panel's key recommendations are inter-dependent. If individual recommendations are ‘cherry-picked’, then at best the benefits of reform will only be partially realised, and at worst there will be no significant improvement at all.”
(Page 17 of the ILGRP's report).

(b) the financial sustainability of the local government sector in New South Wales, including the measures used to benchmark local government as against the measures used to benchmark State and Federal Government in Australia

The reasonableness of using the FFF benchmarks to assess Local Government's sustainability is questionable. The NSW State Government's financial performance does not appear to fare well when the FFF benchmarks are applied to it. State Government results either do not meet the financial benchmark requirements or the information is not publically available. Therefore it appears a higher standard is being applied to Local Government when it comes to demonstrating sustainability.

Many generalisations have been made during the FFF reform process regarding the financial sustainability of Local Government (for example Local Government is losing \$1 million a day). These generalisations do not accurately portray the actual performance of many councils. They create a false image of the sector as it does not acknowledge the positive status of councils, such as Fairfield City Council. FCC, through strong financial acumen and a history of financial and efficiency improvements will continue to be financially strong and sustainable into the future. Fairfield City Council's strong financial position is supported by the conclusions of the New South Wales Treasury Corporation (TCorp) assessment of financial sustainability and the NSW Government Office of Local Government Infrastructure Audit.

(c) the performance criteria and associated benchmark values used to assess local authorities in New South Wales

Comments on each of the FFF benchmarks were included as part of Fairfield City Council's submission to the IPART (see Chapters 1 and 2 of Fairfield City Council's proposal¹).

¹ <http://www.fairfieldcity.nsw.gov.au/default.asp?iNavCatId=3&iSubCatId=3798>
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FCC already has the appropriate scale and capacity to continue as a standalone council. This position is reinforced when compared to similar councils, such as Bankstown and Sutherland, which are recommended by the ILGRP to standalone. The recommended amalgamations demonstrated there was an inconsistent view of the ILGRP in relation to scale and capacity.

Fairfield City Council will meet all FFF financial benchmarks in advance of the timeframes set by IPART. Six out of the seven will be met by 2016/17, with one ratio being met in 2017/18. Financial consistency and efficiency improvements were initiated by Fairfield City Council as part of its Long Term Financial Plan (LTFP). Work on these initiatives commenced prior to the FFF reform agenda and was identified as part of an ongoing performance, audit and improvement process.

Other than FFF benchmarks, many other methods are used to ensure sustainability and good governance in Local Government in NSW. These methods include:

- New South Wales Treasury Corporation (TCorp) assessment of financial sustainability
- NSW Government Office of Local Government Infrastructure Audit
- Promoting Better Practice in Local Government Review

This plethora of performance benchmarks and reporting requirements imposes significant red tape onto councils and creates confusion for our communities.

(d) the scale of local councils in New South Wales

It is appropriate that there is no benchmark regarding the scale of local councils. The ILGRP references research undertaken by the Australian Centre of Excellence for Local Government (ACELG²) as evidence for the identified Key Elements of Strategic Capacity. ACELG itself concludes that there is little evidence that amalgamation will of itself yield economies of scale greater than those achievable through other forms of consolidation.

Whilst it could be acknowledged that there currently exists a need to create larger councils in some areas, the priority of local councils should remain with delivering high quality services to their local community. Maintaining strategic capacity, continuing financial sustainability, delivering regional priorities and partnering with State and Federal agencies, whilst prioritising local needs are key aspects of a council's role.

FCC's proposal demonstrates that it is already the appropriate size for the specific community it serves and to deliver the specific services that are priorities for its residents and businesses.

² Chris Aulich, Melissa Gibbs, Alex Gooding, Peter McKinlay, Stefanie Pillora and Graham Sansom Consolidation in Local Government: A fresh Look May 2011
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(e) the role of the Independent Pricing and Regulatory Tribunal (IPART) in reviewing the future of local government in New South Wales, assisted by a South Australian commercial consultant

Whilst FCC supports the Independent Pricing and Regulatory Tribunal's (IPART) in its role as the 'expert panel' it believes the terms of Reference (ToR) provided to the IPART could have been improved.

Many suggestions for improvement were made in the 171 submissions to the IPART on its draft '*Methodology for Assessment of Fit for the Future Proposals*'. However, a number of the improvements were not even able to be considered by the IPART as they were deemed to be outside of its ToR.

(f) the appropriateness of the deadline for 'Fit for the Future' proposals

Fairfield City Council notes that the deadline for the FFF proposals has now ended.

Fairfield City Council previously commented on the deadline for FFF proposals in its response to the IPART's '*Methodology for Assessment of Fit for the Future Proposals*'³.

Fairfield City Council stated that the release of the IPART's final '*Methodology for Assessment of Council Fit for the Future Proposals*' allowed councils less than 3 weeks to finalise their submission and have it adopted by their Council, which was an unreasonable timeframe. Fairfield City Council noted that the IPART would accept community submissions until the end of July 2015 and believed that this timeframe should also be available to councils.

Fairfield City Council also wrote to the Minister for Local Government requesting an extension to the deadline (see attachment A).

(g) costs and benefits of amalgamations for local residents and businesses

The costs and benefits of amalgamation for local residents and businesses will vary across councils. In each instance, it is important that the costs and benefits for the community are weighted and evaluated from an unbiased perspective.

Fairfield City Council noted in its proposal to the IPART that many of the benefits sought to be achieved from the proposed amalgamation of Fairfield and Liverpool, which are already large Councils, are able to be achieved through strategic alliances

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http://www.ipart.nsw.gov.au/files/content/website/home/industries/local_govt/reviews/fit_for_the_future/review_of_local_council_fit_for_the_future_proposals/27_apr_2015_-_consultation_paper/consultation_paper_-_methodology_for_assessment_of_council_fit_for_the_future_proposals_-_april_2015/w151760_-_fairfield_city_council_-_a_bray/1/online_submission_-_fairfield_city_council_-_a_bray_-_25_may_2015_161258604.pdf

and partnerships without necessitating the dis-benefits of amalgamation.

For Fairfield City Council, a detailed examination of the costs and benefits of amalgamation indicated that remaining a standalone council would provide greater benefits to the community when compared to the impacts of amalgamation. Fairfield and Liverpool have very different communities with different priorities. It is likely that the State Government's focus on the urban release areas and the development of Liverpool as a regional centre would take precedence over the services for a multiculturally diverse and disadvantaged community required by many of Fairfield's residents.

The reduction in local representation would also impact residents and businesses. The 'local' Councillor would be far less accessible to the large number of residents they would have to represent in an amalgamated council. The local voice, especially of the multicultural and disadvantaged sections of the community would struggle to be heard.

The cost and focus on the amalgamation process itself would also disadvantage the community for a number of years by taking resources away from the priority services and new projects they need.

This analysis was reinforced by the community's views during community consultation as 91% of residents and 82% of businesses did not support an amalgamation.

(h) evidence of the impact of forced mergers on council rates drawing from the recent Queensland experience and other forced amalgamation episodes

Amalgamation would necessitate community consultation on the services and service levels sought by the new combined council area. It is likely that changes to current services or service levels will increase rates.

FCC has worked hard to deliver quality services to its community while keeping rates low.

The Fairfield community has low incomes and high welfare dependency when compared to the rest of Sydney. This makes affordability a key priority for Council. Amalgamation is likely to result in increased rates, which was identified as a major concern by the community in the consultation undertaken for the preparation of Council's FFF proposal.

(i) evidence of the impact of forced mergers on local infrastructure investment and maintenance

As previously stated, amalgamation would necessitate the reprioritisation of services and service levels with a likelihood that changes to current services or service levels will increase rates.

All NSW councils are already required to plan and invest in local infrastructure as per their respective long term Asset Management Plans. A forced amalgamation would require councils to evaluate the combined infrastructure base and to amend their Asset Management Plans accordingly.

In the Queensland council amalgamations, the evaluation of local infrastructure investment and maintenance resulted in councils seeking rate increases to raise the funds necessary to rectify infrastructure issues.

(j) evidence of the impact of forced mergers on municipal employment, including aggregate redundancy costs

Local Government represents a large investment in social capital as well as being a supplier of local employment. The full impact of forced mergers on municipal employment and the resulting aggregate redundancy costs will vary based on each councils situation.

Under current legislation, any significant impacts of forced mergers on employment and redundancies will occur in the fourth year after an amalgamation is announced due to Section 354F of the Local Government Act (1993) which states “No forced redundancy of non-senior staff members for 3 years after transfer.”

There is limited information on the true costs of amalgamation, including aggregate redundancy costs. Analysis by the Queensland Treasury Corporation, in 2012, found that the costs of the 2008 amalgamations in QLD averaged \$8.1M per new council (\$2M net costs i.e. after amalgamation savings), with the Central Highlands Regional Council claiming the highest gross cost of \$21.5M. Almost half of the cost related to one-off information and communication technology costs (43.8%) and a further 28% related to senior staff redundancies, recruitment and councillor allowances.

A Council with a budget and comparable operational spend to the ILGRP’s preferred option of an amalgamation of Fairfield City and Liverpool City Councils is Toowoomba Regional Council. An amalgamated Fairfield/Liverpool Council would have operating expenses amounting to 86.9% of Toowoomba’s operating expenses for 2014/15. Toowoomba’s amalgamation costs over four years were approximately \$19M. Therefore 86.9% of \$19M would equate approximately \$16.51M in costs relating to systems, processes and redundancies for the Fairfield/Liverpool

amalgamated Council. This cost is only for systems processes and redundancies and there would be many other additional direct costs associated with amalgamation.

(k) the known and or likely costs and benefits of amalgamations for local communities

The known and/or likely costs and benefits of amalgamation were investigated by NSW councils during the FFF reform process.

Some likely benefits included:

- The transfer of responsibilities such as planning matters from the State Government
- A greater influence on State and Federal Governments
- Access to increased funding opportunities

Some likely costs included:

- Increased rates
- Loss of local representation and local identity
- Loss of focus on local priorities
- Disruption and financial burdens due to the amalgamation process itself

For Fairfield City Council, it was found that the benefits of amalgamation did not outweigh costs for the Fairfield community (see Fairfield City Council's proposal⁴).

(l) the role of co-operative models for local government including the 'Fit for the Futures' own Joint Organisations, Strategic Alliances, Regional Organisations of Councils, and other shared service models, such as the Common Service Model

Joint partnerships and strategic alliances are initiatives that are currently utilised by councils to achieve positive outcomes. It was made clear by the NSW Government that Joint Organisations would not apply within the FFF reform agenda for Sydney metropolitan councils.

In its proposal, Fairfield City Council considered that the benefits currently achieved through joint regional collaboration and partnerships could also be gained for regional and community issues from the establishment of strategic alliances with neighbouring councils. Benefits of collaboration through strategic alliances include reduced duplication of services, cost savings, increased innovation, enhanced skills

⁴ <http://www.fairfieldcity.nsw.gov.au/default.asp?iNavCatId=3&iSubCatId=3798>
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development, opening the way to share ideas and providing the opportunity to achieve complex and important regional outcomes.

Forming strategic alliances based on common interests would be more beneficial than regional collaborations based solely on geographical area. Additionally, alliances need not have fixed membership and could be based around specific needs of participating councils, providing the ability for councils to opt in and out, according to relevance of the issue.

In its proposal (see Chapter 5 – Other options⁵), Fairfield City Council considered the establishment of a South-West Strategic Alliance which would:

- Maintain local representation and local identity.
- Continue delivering those services best delivered at a local level.
- Coordinate strategic subregional infrastructure and planning matters for the region.
- Provide a single point of contact for Federal and State Governments on sub-regional matters.
- Achieve the State Government's vision while, not having detrimental outcomes for the community.

(m) how forced amalgamation will affect the specific needs of regional and rural councils and communities, especially in terms of its impact on local economies

Fairfield City Council has no comments on this clause.

(n) protecting and delivering democratic structures for local government that ensure it remains close to the people it serves

The FFF reform agenda proposes to have amalgamated local councils with populations of between 500,000 to 600,000 people. As the size of the government structure grows the Local Government's ability to remain close to the community will be reduced. The role of elected officials in larger amalgamated councils will be more difficult, complex and resource intensive as the population grows. This will reduce the capacity of local officials to communicate and interact with the community they serve.

The ILGRP noted that currently in NSW the "number of residents per councillor ranges from less than 150 to more than 20,000". Federal Members have a quota of 90,000 electors with + or – 10% while State Members have a quota of 50,000 electors with + or – 10 %. To ensure local representation and local democracy,

⁵ <http://www.fairfieldcity.nsw.gov.au/default.asp?iNavCatId=3&iSubCatId=3798>
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there should be a firm consideration of the size of councils to ensure local representation is maintained.

National figures on local representation illustrate that the average number of residents in an LGA per elected official is 4,591. Fairfield City Council currently has 15,624 residents per elected official. If the amalgamation option for Fairfield City Council was to occur, there would be 26,667 residents per elected official, increasing to approximately 33,533 residents per Councillor at 2031 (based on a maximum of 15 elected officials). As discussed in FCC's proposal, this far exceeds the optimum level of 20,000 residents per councillor identified by the Local Government Managers Australia⁶.

There are a small number of councils, including Fairfield, which already have a full time Mayor, who works in excess of 50 hours per week to meet the needs of residents. The capacity for one Mayor to service a population of over 500,000 would be significantly reduced in terms of effectiveness.

(o) the impact of the 'Fit for the Future' benchmarks and the subsequent IPART performance criteria on councils' current and future rate increases or levels

FCC will meet the financial benchmarks as demonstrated in its Long Term Financial Plan without the need to seek a Special Rate Variation. However, if the State Government imposes further cost shifting, reduces grant funding or otherwise 'changes the goal posts', Council would need to review the services it delivers and/or consider a rate increase.

Fairfield City Council will report on the FFF benchmarks as part of its Long Term Financial Plan (LTFP).

(p) any other related matter.

Fairfield City Council's position is that it does not support forced amalgamations.

In its response to the IPART's *'Methodology for Assessment of Fit for the Future Proposals'*⁷, Fairfield City Council stated that "any boundary changes or amalgamations should be a decision of our residents and not that of politicians or bureaucrats."

⁶ LGMA NSW Working Party 1d Final Report, 2013, Identify the barriers to establishing inter-council contractual arrangements for the sharing of staff, including general managers and senior staff, as well as the commercializing services

⁷ http://www.ipart.nsw.gov.au/files/content/website/home/industries/local_govt/reviews/fit_for_the_future/review_of_local_council_fit_for_the_future_proposals/27_apr_2015_-_consultation_paper/consultation_paper_-_methodology_for_assessment_of_council_fit_for_the_future_proposals_-_april_2015/w151760_-_fairfield_city_council_-_a_bray/1/online_submission_-_fairfield_city_council_-_a_bray_-_25_may_2015_161258604.pdf

For further information please contact

Yours faithfully

ALAN YOUNG
CITY MANAGER

Attch: Copy of the letter to the Hon Paul Toole, Minister for Local Government
dated 29 May 2015.

3 July 2015

ATTACHMENT A



Office of the Mayor
Frank Carbone



The Hon Paul Toole MP
Minister for Local Government
Level 17 NE
52 Martin Place
SYDNEY NSW 2000

Dear Minister

FIT FOR THE FUTURE - TIMELINES

I am writing to request that the 30 June deadline for Fit for the Future proposals be extended by at least two months.

As you would be aware, Councils in NSW have been working to meet the State Government requirements of Fit for the Future since September 2014. The timelines proposed are unrealistic. IPART will release its final *Methodology for Assessment of Council Fit for the Future Proposals* in the week commencing 1 June 2015, which leaves councils less than three weeks to finalise submissions and have them adopted by Council.

IPART's proposed timeline for assessing Fit for the Future proposals accepts community submissions until 31 July 2015. In view of this, Fairfield City Council requests that this option, as a minimum, should also be extended to all councils. An extension of two months would be preferred to allow councils time to consult with their communities and address IPART's assessment methodology.

Your response on extending the timeframe for Fit for the Future submissions would be appreciated.

Yours sincerely

FRANK CARBONE
MAYOR OF FAIRFIELD CITY

29 May 2015

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