

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE NO. 6

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

At Sydney on Monday 24 August 2015

The Committee met at 10.00 a.m.

PRESENT

The Hon. P. Green (Chair)

The Hon. L. Amato (Deputy Chair)

The Hon. R. Borsak

The Hon. C. Cusack

The Hon. B. C. Franklin

The Hon P. T. Primrose

Mr D. M. Shoebridge

The Hon. E. Wong

CHAIR: Welcome to the sixth hearing of the inquiry into local government in New South Wales. The inquiry is examining the Government's Fit for the Future reform agenda for local government in this State. I acknowledge the Gadigal people of the Eora nation, the traditional custodians of this land. I also pay my respects to elders past and present and any other Aboriginals here today. At today's hearing, which is the final hearing of this inquiry, we will hear from the Independent Pricing and Regulatory Tribunal, the Small Business Commission, the Office of Local Government and a number of local government representatives from the Sydney region. I note that the representative from the Property Council has sent an apology because of illness.

Before members begin questioning I will make some brief comments about the procedures that will be followed. Today's hearing is open to the public and is being broadcast live on the Parliament's website. A transcript of the hearing will be placed on the Committee's website when it becomes available. I remind witnesses that the freedom afforded by parliamentary privilege is not intended to provide an opportunity to make adverse reflections about specific individuals. Witnesses are asked to avoid making critical comments about specific individuals. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives that they must take responsibility for what they publish about the Committee's proceedings.

It is important to remember that parliamentary privilege does not apply to what witnesses may say outside this hearing. I urge all witnesses to be careful about any comments they make to the media or others after they have completed their evidence because such comments will not be protected by parliamentary privilege if another person decides to take an action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat. There may be some questions that a witness could answer only if they had more time or certain documents at hand. In these circumstances, witnesses are advised that they can take questions on notice and provide answers within 21 days. If witnesses wish to convey any messages, they must be handed to the secretariat staff, who will hand them to the Committee. Please turn mobile phones to silent for the duration of this hearing.

CORRECTED

MICHAEL REGAN, Mayor, Warringah Council,

RAY BROWNLEE, General Manager, Randwick City Council,

CLOVER MOORE, Mayor, City of Sydney,

MONICA BARONE, Chief Executive Officer, City of Sydney Council,

RIK HART, General Manager, Warringah Council, and

MICHAEL McDERMID, Corporate Planner, Warringah Council, sworn and examined:

TED SENG, Mayor, Randwick City Council, affirmed and examined:

CHAIR: Would you like to make a brief opening statement?

Ms MOORE: Thank you for the opportunity to address the Committee. I appear as the Lord Mayor of the City of Sydney and as chair of Sydney Metropolitan Mayors. Sydney Metropolitan Mayors was formed two years ago and comprises 24 councils representing more than two million residents. I will report back to our members about today's hearing. We welcome this inquiry to refocus on effective reform rather than the narrow Fit for the Future process. We are concerned that the Government is already developing forced amalgamation plans ahead of the Independent Local Government Review Panel report given media reports and expensive government television and print advertising.

Local Government NSW, Sydney Metropolitan Mayors, the City of Sydney and many other councils supported the majority of recommendations from the Independent Local Government Review Panel chaired by Professor Graham Samson. The most important of these related to the financial sustainability of local councils and improving the relationship between local and State governments. The report stressed that productive relations between the State Government and local government were essential for reform. It talked about a legacy of distrust and the need to establish a mature relationship based on shared information, collaborative planning, negotiation, and trust.

Sydney Metropolitan Mayors proposed a practical process of four implementation working groups for the key priority areas: financial sustainability, collaboration and coordination, governance, and continuous improvement. These working groups would have included State representatives, elected officials, local government professionals, and technical experts. They would focus on quick implementation where possible by building consensus on other issues or developing alternative approaches. Instead of that approach, which we put to new Minister Toole, we have had Fit for the Future, which seems aimed at fewer not more effective councils despite the lack of evidence that amalgamations can lead to better outcomes.

In our submission to the Independent Local Government Review Panel, the City of Sydney put a clear case that we are fit for the future. After the city was amalgamated in 2004, we had two or three of everything; we had two general managers and other staff performing the same roles but on different awards. We had three sets of planning controls, which annoyed developers; we had different categories of rates, which annoyed residents; and we had 20 IT systems, which annoyed everyone. The amalgamations took three to five years to implement, and during that time a significant focus of the organisation was necessarily on amalgamation rather than delivering infrastructure and services.

Finally, we are concerned about what happens after the Independent Local Government Review Panel delivers its report to the Government. There is no public plan or process other than that it will go to Cabinet. Sydney Metropolitan Mayors believes that the report should be made public immediately, and that each council should receive the panel's assessment. I table a copy of a letter from Sydney Metropolitan Mayors to the Premier making that request.

Document tabled.

CHAIR: Does anyone else wish to make an opening statement?

Mr SENG: Good morning. Thank you for the opportunity to address the Committee. The local government industry has known for years that change was coming. Reform in New South Wales has been on the agenda since the launch of Destination 2036 in August 2011. Since that day Randwick City Council has been strenuous in its due diligence about local government reform. In 2012, the council commissioned SGS Economics and Planning to undertake a strategic and financial assessment of potential options for structural change to local government within eastern Sydney. In July and October 2013, we commissioned two separate telephone surveys of our residents to begin to assess their views on local government reform and amalgamations in eastern Sydney.

That year we also commissioned a review of residential rating in the Randwick local government area ahead of further merger discussions. In 2014 and 2015, Randwick, Waverley and Woollahra councils worked together to model our rating systems and to determine the best outcome for our residents, and conducted a review of all our service levels and standards. With this series of extensive reports, consultation papers and analysis by the Independent Local Government Review Panel it was clear that change was staying on the agenda.

In September 2014 the review of IPART of the criteria for Fit for the Future was also released and stated. Scale and capacity was a structural issue. In October came the Fit for the Future criteria time frames and expectations for the councils to follow. It also included the clear position of the Minister for Local Government and the New South Wales Premier that our centuries old council boundaries no longer stood the test of time and that no change was not an option. This did not come as a surprise. The Fit for the Future template clearly stated: If the panel recommended a merger for your councils this should be the first option that you consider.

In December 2014 I wrote to 65,000 Randwick City households and laid our cards on the table. I described the Government's position, the options available and the process local government reform had taken since 2011. I wrote to the Government again in February 2015 and included a survey of seven different options open for consideration and details on the benefits and costs of each option. To meet the Government's time frames and submit the Fit for the Future template by 30 June 2015 we then undertook a telephone survey, multiple community information sessions, focus groups, extensive advertising and a social media strategy as well as many councillor briefing sessions and began our extensive data analysis.

The point I am making is that the timing of the process was tight. We do not agree with every part of it but overall it was workable. Randwick council is an example of this. While it would have been nice to have had more time to engage with other local communities, in our situation at least we had already commenced the process of community engagement, strategic review and due diligence many years prior. Between December 2014 and March 2015 there was enough time for us to conduct a comprehensive engagement program with our community—in fact, our most extensive ever. As part of this process, 97 per cent of respondents said they were somewhat satisfied with council's response to Fit for the Future.

In early May 2015 we released the findings of our consultation and analysis and advertised widely that on 26 May 2015 council would hold its ordinary council meeting with just one agenda item: Randwick City Council Fit for the Future options analysis. The date of this council meeting was advertised locally and online as well as reported in media coverage in the *Sydney Morning Herald* and in our local media, reaching a cumulative audience of more than 200,000 people in the lead-up to the meeting. Thirty-six members of the public attended and watched the proceedings of the council meeting. Compare this to other issues such as development applications for childcare centres where more than 50 residents attended, or an item about drinking in beachside parks or smoking ban proposals where more than 100 people attended. Even endorsing our new LEP 2012 saw more than 200 people pack our Town Hall.

Our community just expects us to be efficient and make the right decision on this matter. Since that time, and even following our submission, to my knowledge we have not had any new complaints about our decision. In fact, IPART received just 18 submissions on the Randwick and Waverly proposal. The New South Wales Government has pushed ahead with its commitment to this changed process but it still needs boldly to shift from local government to think outside our outdated council boundaries and not be afraid of change. That is what we have done in Randwick. The process, not just in the past nine months but over the past four years, has led us to finding a merger partner with Waverly Council and has opened the doors to increased services and efficiencies for residents and ratepayers in eastern Sydney. As I said before, as leaders we need to move beyond simply opposing change and consider how best we can serve our communities in the future.

Mr REGAN: Thank you for the opportunity to address the inquiry. Our councillors and I unanimously support the need for local government reform—our community too. Our preferred option is the formation of one new council on the northern beaches. As the first directly elected Mayor of Warringah, Independent like Clover, and actually a council staff member for more than 20 years in other councils, this is probably not even in my interests, nor is it in the corporate interests of Warringah Council, one of the strongest and highest performing councils in New South Wales. Our position on reform comes from an undeniable body of evidence and I come from a position that creating a northern beaches council is in the best interests of my kids, our community, future generations, the natural environment and the built environment.

I agree with Mr Seng, the Mayor of Randwick, and thank him for his views. The time frame was very manageable for councils that seriously explored the options. We have known for years that change is needed and that reform was coming. Like Randwick, we have worked since 2011 to understand the needs and implications of change for our region. We saw significant financial and social benefits in a single northern beaches council. Let us face it, it is not a new idea; it was recommended, I think, by the Boundaries Commission 30 or so years ago. It does take the pressure off rates. Immediate savings from integrating three executives from three councils into one delivers approximately \$1.6 million each year, that is, about 1 per cent of total rates revenue for the region—not a bad start, you would have to say.

Our community overwhelmingly supports a single northern beaches council. They told me the current model is fragmented, uncoordinated and wasteful. It makes financial and structural sense and will improve the quality of life to have equal access and benefits across the northern beaches. We also saw a strong level of support from one unified northern beaches council from Pittwater and Manly residents. Our community also passionately opposes the ridiculous notion of splitting the northern beaches and forming two councils smaller than Warringah currently is. They told me it makes no sense to split a strong council and to share with two struggling councils; it would be a waste of time and money.

In the past four years we have tried to engage with our neighbouring councils. Our neighbours have resisted out of concern for loss of local representation. Our research shows that that is not the case. We visited Auckland and spoke to Penny Webster, a former Mayor of Rodney District and current councillor there, who was opposed to amalgamation, who is now 100 per cent on board and who has seen the benefits of the new Auckland Council and the way it is set up. A new organisation would be a new identity and issues of local representation can be effectively managed as is done now where reform has taken place. Look at the local elected boards they have over there; they are just one example. Citizens juries is another one that is emerging. As I said before, with internet and email we are a 24-hour society now and we are constantly in touch with our community.

We know how change can work for the better. Warringah is a great example of taking a dire situation and turning it entirely around into an outstanding service provider for the community. Since the 1960s we experienced three dismissals of council and five years of administration from 2003 to 2008. From a transformation of our culture, customer focus and performance, we are now one of the top three councils in New South Wales for finances. We also now have a record high staffing community satisfaction—as high as 94 per cent in our last survey—and industry recognition of high standards across our services. We are setting benchmarks for the local government sector in particular and, at the same time, creating a dynamic staff culture.

Yet we still shoulder the burden of subsidising other local government areas with our services and venues. Interestingly, our neighbours pay significantly higher rates and get less services and less infrastructure—just a fact. The structure of Regional Organisations of Councils [ROCS] in its current form does not work for our community nor will it ever work in any form. ROCS does not work and joint organisations do not work. Ask me why later. I have been around in local government since 1990 and working at the City of Sydney. It did not really work then and it will not work in the future. We have some great examples to show and share.

A new stronger council offers the solutions needed, and it is not a huge leap for the northern beaches community. We have a single identity, we speak to the people, we say we are for the northern beaches and, despite the spin, a new northern beaches council is not a mega council. It is still within the scale of already existing councils in Sydney—that is just a fact. For our region the strategic and financial challenges of the future will be better addressed with greater scale and capacity. We already identify as northern beaches people; we move across our boundaries; we work, live in and use the recreational space of our neighbours. Let us break down the old barriers and show leadership to address the big challenges of the future. Let us have a vision for

the next 50 years of local government. It is broken. Simply lifting rate pegging, as some suggest, is not the answer and will never be the answer. Let us have a vision and get on with it.

CHAIR: Lord Mayor, on the weekend I noted a hint of a vision about de-amalgamation. What impact would that have on the City of Sydney?

Ms MOORE: It is really a *Back to the Future* proposal. This was enacted by the Liberal Government in 1989 and, interestingly, by 1993 that smaller council was in such a parlous financial situation that Gerry Peacocke, the then National Party local government Minister, was on the brink of sacking the council. It was only that I held the balance of power with two others and we worked with the Labor Party to prevent that from happening; it enabled that council to get back onto a strong financial footing. I was very aware of that when I became mayor in 2004 and one of the goals we set ourselves was that we would have a strong financial base, prudential financial management. That has been one of the things we have done, so much so that TCorp has said that we have a very strong and positive financial outlook—we are the only council that got that rating from TCorp. PricewaterhouseCoopers has said that we have the benchmarks that all other councils could set in terms of financial management. That is something that the larger council has been responsible for doing.

When that was proposed back in 1988 there were hardly any residents living in the city. That has changed dramatically now. Thousands of people now live in the city. There is a very strong inter-relationship between the CBD and the city's villages, and a strong relationship between small and large business. When you look at the various criteria for best cities around the world, liveability is the thing that stands out in terms of calculating which cities are the best. Sydney's rating is very high in those ratings; it is about liveability. We know that the city where people want to live is also the city where people want to work and set-up business. We think the present boundaries work really well. Interestingly, 40 per cent of all jobs in the metropolitan area were in our local government area over the past five years—not only in the financial district but also in the villages, particularly in tech start-ups and creative industries in Pyrmont, Ultimo, Surrey Hills, Redfern and Darlinghurst. There is a great interrelationship there and it is very successful, with a thriving residential population as well.

CHAIR: What do you think the accumulated impact will be if such a situation was to happen?

Ms MOORE: What would be the cumulative impact?

CHAIR: Yes, long term.

Ms MOORE: I do not think it would be good for the economy of the city. Currently our local government area represents \$108 billion annually: 22 per cent of the State's economy and 8 per cent of the national GDP. The area is really powering now so I believe that going back to the 1998 proposal, which did not seem to work very well financially and had a tiny residential population, would be not a thing to do for the future. The CEO would like to comment on that.

Ms BARONE: I would like to add a practical point. In South Sydney, of course, is the Green Square urban renewal area: 278 hectares. That is valued at more than \$8 billion, which is \$2 billion more than Barangaroo. The City of Sydney is looking after that urban renewal site. We are putting about \$840 million into infrastructure there. There are billions of dollars of development underway or poised in that area. To disrupt the council now when we have taken a number of years to get to that point, to support that development, to support that growth and to deliver that infrastructure I think would be terrible. I think the developers in that area and the community in that area would be horrified at this point in time.

Mr DAVID SHOEBRIDGE: In short, madness.

Ms BARONE: Yes.

CHAIR: One of the things the Committee has heard lots about in its travels—and I think it is a no brainer for anyone in local government—is cost shifting. In order to be fit for the future it has been suggested that the first priority should be dealing with cost shifting, then a lot of councils would be fit for the future. Do any of you have a comment on the cost shifting you are currently embracing on behalf of the State and/or Federal governments which is severely hurting your ratepayers?

Ms MOORE: I would agree with you that it is a no brainer. If you have rate pegging and cost shifting it is no wonder some councils have struggled. I think one of the strongest recommendations of the Sansom

review—and we all made extensive submissions to that review—was that councils need to be financially sustainable. That was one of the groupings that the metropolitan mayors put to the Minister in terms of wanting to work with government in seeing how this could happen for each council. It would be different in each council but councils need to be able to have the ability—and this is what TCorp said too, that financial sustainability of the councils is really about those councils being able to consult with their communities and decide what infrastructure and services the communities want provided, and then the councils need to be able to have the resources and raise the rates to provide that infrastructure and services. It also rates to the level of grants that local government will receive from Federal and State governments.

Mr BROWNLEE: About 6 per cent of our budget is cost shifted from the State Government to the council, which is about the same equivalent in the amount of grants that the council gets. So the grants and the cost shifting weigh each other out. Just to follow-up on the Lord Mayor's comments regarding rate pegging, we have a different view regarding rate pegging. We actually think that the current rating system works well for local government. We think that the rate pegging has served the residents of New South Wales well. We also think that special rate variations which are available to councils in local government is a process where you have to go out and engage with your community if you want to get extra rates—we think that works. We also think that the integrated planning and how you can set your rates through that actually works well. Where Randwick council would like to see shifts in rating is more around how rates are established. So having a fairer rating model so that people who are in units, for example, and for the services and benefits they get are more reflective of the actual cost they get charged compared to people who are in houses.

Mr DAVID SHOEBRIDGE: How would you do that?

Mr BROWNLEE: Currently a maximum 50 per cent of your base rate can be a minimum, if you change that to 70 per cent, which is what the Sansom, the independent review panel also is recommending, that would then mean that units would actually pay a little bit more and households would pay less. Councils would not get any more money; the pie would not change but the distribution would change. We put in a submission that we think that is a more equitable system regarding how rates should be distributed.

Mr REGAN: I back what Mr Brownlee was saying. I would just add that in my experience the way in which councils value their assets is really interesting—whether it is roads, a toilet block or a community facility. I think that is where the real reform needs to be in terms of making councils actually accountable and having one very straightforward system. I would love the local government or an upper House inquiry into how that is done in the future and into real reform so we have one standard process. So councils can't fudge their figures and they can't take money out of depreciation to fund new services and what have you. I think there are opportunities there for significant reform and I would like to see that. I think we made a submission formally on that in our previous submission.

The Hon. PETER PRIMROSE: My first question is to the Lord Mayor and Ms Barone. One of the most bizarre arguments in this whole process is having councils come to a committee of a Parliament that was set-up in 1842 and whose boundaries were established by the Colonial Secretary arguing that one of the reasons boundaries have to change for councils is that they were established in the nineteenth century. Do the City of Sydney boundaries reflect the nineteenth century decisions of the Colonial Secretary or have they been changed relatively recently?

Ms MOORE: I might take that question on notice in terms of detail but I can say that over the last century the boundaries of the city have change depending on who is in Macquarie Street. They have gone in, and they have come out. I guess what I am saying to you is—

Mr DAVID SHOEBRIDGE: You do not want to be a political plaything anymore?

Ms MOORE: We do not. The city is really powering now. We are going through a period of unprecedented growth. Just last year we approved 1,800 development applications worth \$3.95 billion and our staff has identified that over the coming decade we will be dealing with development worth \$30 to \$40 billion. Green Square is the largest urban renewal area in Australia—as the CEO said, it is an \$8 billion redevelopment. It has taken years to reach the point where the town centre is being constructed, the development is happening and already 18,000 people have moved into the area. We are undertaking major projects that have huge State economic benefit; just as we are putting \$220 million into George Street, which is a major transformational project for Sydney. We have the capacity and the intellectual knowledge about these projects, which I think would be disastrous to lose not only for the city but also for the State and national economies.

The Hon. PETER PRIMROSE: I note that following a decision of this Parliament, enacting the two votes for business at the next election, the estimated cost to council at the next election will be about \$12,000,044 plus GST. Do you expect that would be extended to any other area if you were forcibly amalgamated with them and to those ratepayers?

Ms MOORE: We do, and we think that is possibly the reason why those other four councils that were suggested might want to amalgamate with us did not really want to do so. They did not really want to have their voting system undermined as the legislation has done. I might get the CEO to talk about the legislation. It is a real problem for us because it is not workable and it is costing ratepayers \$12 million. The CEO is the one who is going to have to enact the legislation. Is the Committee interested in hearing about that?

The Hon. PETER PRIMROSE: Fundamentally what I am looking at is the implication of costs, particularly in relation to the City of Sydney. The Minister indicated in his second reading speech that this legislation may be extended to other areas are well. Am I correct in saying \$12,000,044 according to PricewaterhouseCoopers plus GST?

Ms MOORE: That is part of it. The other part is—and we have written to the Minister and to the Office of Local Government about this—that it is not possible to actually do what that legislation is asking us to do. We have had legal advice on this. The CEO might like to speak about it.

Mr DAVID SHOEBRIDGE: It is a dog's breakfast in short.

Ms BARONE: There are a number of issues with the legislation. The most problematic issue is that the legislation requires an accurate register to be maintained—

The Hon. ROBERT BORSAK: Being forced to do what the legislation requires you to. Democracy is too expensive, oh dear.

The Hon. PETER PRIMROSE: The amount of \$12,000,044—

The Hon. CATHERINE CUSACK: Point of order: I am having trouble hearing the witness and I am really interested in her answer.

Ms BARONE: The legislation requires the role of the CEO to maintain an accurate register at all times and, of course, that is not possible to do. The reason we raise that issue is because most of the other legislation requires best endeavours. To say that you must have an accurate register at all times is not possible to achieve and, of course, it means that if an election was close then clearly people would challenge the register and say the register was not accurate and therefore maybe cause us to have to re-run the election. That is the biggest issue and it is also because the sort of information that is required to put someone on a register is not the information that you can get from existing databases. You have to visit people and ask them for all that information in order to fulfil the obligations for creating the register.

The Hon. ERNEST WONG: I direct my question to Randwick and Warringah councils. Both councils have stated that over 10 years there will be a saving of: \$200 million, Warringah; and \$143 million, Randwick. Where did those figures come from? Will you be able to leverage that with the savings you think will be generated?

Mr SENG: We commissioned SGS Economics and Planning, as I mentioned before, in 2012. We also have our own internal audit and all the figures and the assessment were robustly reviewed.

Mr BROWNLEE: Council engaged SGS Economics to do a high-level economic model of some of the different options for the eastern Sydney councils; it is working out the efficiencies of councils of providing services. It gets the operating expenditure of each council—so it is high level—and then uses either the dwelling numbers or resident numbers and they come up with a factor then of how much it costs you to provide services to your residents. So for Randwick that was around \$879.00, for councils around us it was a little bit higher for that. They then used that model there to extrapolate out, to work out what potential savings can be achieved.

That only works if the provision of services is the same across those particular councils. When we did it it was very similar for Randwick, Waverley, Woollahra and Botany because we have similar community

interests and similar services. It did not work with the City because the City has different levels of service from us; they provide a high level of service in certain areas because of the many visitors they get per year. So if you have similar community interests and similar services that are provided, that high level model can be used to come up with an indication of what potential savings there could be across particular councils if those councils were larger. That is how the model works.

The Hon. ERNEST WONG: Where do you get those items? Would you be able to tell me the items that will generate that kind of saving such as where you will need a smaller number of staff? What items?

Mr BROWNLEE: First of all, as I said, it is high level; it gives you a total operating expenditure for a council and it divides that by the number of residents you have. It is about from there determining what efficiency rating you can get, a ratio you can get from that. It is not about reduction of staff; it is not about getting a big bucket of money. It is about coming up with a cost of if you put larger councils together and a council is more efficient than another council and you extrapolate that across the area and as a result of that they provided similar services you get these savings. So it is not about reducing staff, it is not about individual programs; it is about high level, putting the operational efficiencies across a number of councils, and that only works for councils that have similar community interests and similar provision of services.

Mr HART: I would like to echo the comments that Randwick has made. We used the same company, SGS, to do our analysis on exactly the same basis—I will not bore you with those details. On that basis they came up with savings of circa \$200 million over 10 years, and the KPMG report, which was commissioned by our neighbouring councils, Manly and Pittwater, came up with savings of 40. Just to give you an answer in our case, KPMG, which is the lesser of the estimates, said there would be a saving of about 101 people, and that was by reducing the number of general managers, senior staff, across the divisions and so on. If you just took an average figure for across the organisation, including on-costs of about \$90,000, that works out at about \$90 million over 10 years.

The other thing we have in there is that in the numbers per capita on the same basis that Randwick did it, Manly is about \$1,350.00 per capita, Pittwater about \$1,165.00 per capita and Warringah \$950.00. But I would remind you that Warringah incorporates all the waste charge through the company, which we have to consolidate—that is Kimbriki Enterprises, owned by four councils—into ours. So our cost is higher on that basis, otherwise you could take approximately \$60.00 off our number.

Mr DAVID SHOEBRIDGE: It is still high.

Mr HART: What is too high?

Mr DAVID SHOEBRIDGE: Your rates are still higher than your neighbours.

Mr REGAN: No they are not.

Mr HART: No they are not; they are significantly lower.

Mr DAVID SHOEBRIDGE: Mayor Seng, you are the democratically elected mayor of Randwick and you would say one of your principal jobs as a democratic leader is to listen to your community and try and support what your community wants. Is that right?

Mr SENG: Yes, we have listened to our community. We have done a lot of community consultations.

Mr DAVID SHOEBRIDGE: It would be fair to say that the Randwick City community has broadly indicated that they would prefer council to remain as a standalone entity rather than merge with other councils.

Mr SENG: Forty-six per cent, I think, 48 per cent, from the survey.

Mr DAVID SHOEBRIDGE: I am asking you a very specific question. The Randwick City community has broadly indicated they would prefer council to remain as a standalone entity rather than merge with other councils. Is that true or false?

Mr SENG: That is our formal position, yes.

Mr DAVID SHOEBRIDGE: So if your community does not want you to merge why are you pushing a merger option if you say your job as a democratic mayor is to listen to what your community wants and to try and implement their wishes?

Mr SENG: Because we do not want to be part of this global city model.

Mr DAVID SHOEBRIDGE: So what the Government is proposing is appalling and you are putting forward something that is less appalling but it is still not wanted by your residents. Is that really your position?

Mr SENG: We do not want to be part of this global city model. If we did not do anything we could end up with the recommendation of the independent review panel, which is part of this global city model, and none of the residents want it; in fact, 3 per cent of the residents indicated they would support that—3 per cent.

Mr DAVID SHOEBRIDGE: In other words, it is not that the merger is good; it is just that you fear the alternative is just bloody awful. Is that right?

Mr SENG: That is your interpretation.

Mr DAVID SHOEBRIDGE: I am asking you; you are there to give evidence.

Mr SENG: We have to respond to the Fit for the Future process or else we are going to end up part of this global city model, which we do not want to.

Mr DAVID SHOEBRIDGE: So the Government has got a gun to your head and is proposing something terrible, which is this global city merger, and in response you are proposing something less awful but still not supported by your residents. That is almost a definition of a dysfunctional process, is it not?

Mr SENG: Fifty-one per cent of the residents indicated they would support some sort of a merger and the most popular merger would be with the eastern beaches council, Waverley.

Mr DAVID SHOEBRIDGE: I am looking at the figures from your community survey. Ten per cent of your residents put as their first preference amalgamation with Waverley. That might be the most popular but it is about as popular as selling a dead cat with your residents. Ten per cent want it.

Mr SENG: Fifty-one per cent of residents wanted a merger.

Mr DAVID SHOEBRIDGE: You put forward a proposal for your residents that only 10 per cent of your residents put forward as their preferred model. Forty-nine per cent of your residents put their first preference as wanting to stand alone; 10 per cent want an amalgamation with Waverley. How on earth did you choose an amalgamation with Waverley as a democratic response?

Mr SENG: Fifty-one per cent of residents wanted a merger, some sort of a merger. But out of that 51 per cent the most popular was a merger with Waverley.

Mr DAVID SHOEBRIDGE: Ten per cent of your residents—you are failing your democratic duty to listen to your community when you put forward a proposal that is supported by 10 per cent of your residents.

The Hon. CATHERINE CUSACK: Point of order.

CHAIR: The member's time is up and I think he has grilled the witness on that particular issue. The Hon. Robert Borsak?

The Hon. ROBERT BORSAK: Mr Shoebridge can continue.

Mr DAVID SHOEBRIDGE: You have failed your democratic duty, have you not, when you are putting forward a proposal that is supported as a first preference by only 10 per cent of your residents—one in 10?

Mr SENG: The general manager will give you further details.

Mr DAVID SHOEBRIDGE: I am asking you, Lord Mayor; the question is to you as the democratic leader.

CHAIR: Order! The witness should not be badgered. We are not in a courthouse; we are in an inquiry and the witness has deferred to his General Manager, which he is entitled to do, to give a response. Mr Brownlee?

Mr BROWNLEE: In fairness, there was a pretty comprehensive process that the Government went through with Fit for the Future and it was very clear from the beginning that the Government was supporting the Independent Local Government Review Panel's position, which for Randwick was an amalgamation of the City of Sydney, Botany, Randwick, Waverley and Woollahra. When we went out to our residents to ask them about that they came back overwhelmingly that they were not in support of a global city—as the Mayor said, 3 per cent of residents supported that particular position. The council then had on its hands that the majority of the residents preferred to stay alone, as they did; however, there was overwhelming support not to go ahead with a global city. The council then took the decision that the next best option for the council was a merger with Randwick and Waverley. We would have preferred Botany to be part of it but Botany did not want to be part of it, so the only merger partner that we could get so that we could ensure that we were not put into a global city as recommended by the Independent Local Government Review Panel was to put in a submission to merge with Randwick and Waverley.

Mr DAVID SHOEBRIDGE: That is a very long way of saying it is not because it is good, it is not because your residents want it; it is just because unless you do this poor option you are going to get a vastly worse outcome from an undemocratic State Government. That is the situation, is it not?

Mr BROWNLEE: No, it is actually showing community leadership by the councillors, knowing that this was a very tough decision that they had to make, a very divisive decision that they had to make, and the councillors made that based on what they thought was the best for the citizens of Randwick.

Mr DAVID SHOEBRIDGE: Since when has ignoring what the overwhelming sense of your community is been defined as community leadership? I will put that to you Lord Mayor. Since when do you say ignoring what the overwhelming bulk of your residents want can be defined as community leadership?

The Hon. CATHERINE CUSACK: Point of order: This line of questioning where he is attacking the councillors and accusing them of things is completely inappropriate. Can I further add that it is entirely within the realm of witnesses to answer the question as they see fit.

CHAIR: Order! I will not uphold the point of order. I think the witness can answer this question, if he chooses to.

Mr SENG: As I have said repeatedly earlier, 51 per cent of residents would support some sort of a merger option.

CHAIR: We will move to Government questions.

The Hon. CATHERINE CUSACK: Councillor Regan, you said in your opening remarks that you had some examples of why the joint organisations do not work. Could you share those with us?

Mr REGAN: I will start with the ROC first and then I will defer to the General Manager just on a very excellent point regarding Kimbriki Enterprises and JOs. Specifically with ROCs, Warringah Council does its own procurement, if you like, and the ROC decided to call for a person to do this at \$120,000 as a corporate staff member, to be paid for by the four councils to do procurement. We put our hands up and said, "Well, we actually already do this, so why don't we do it on your behalf?" and they said, "No, anyone but Warringah" because ROCs rely on personalities. We said, "Well, we will appoint a staff member at half the price and dedicated 100 per cent to the three councils and nothing to do with Warringah"—not good enough; off they go. We have a number of similar examples to share in that regard, one on Kimbriki and the JOs, because JOs talk about legal entities and what have you and we have got an interesting example of Kimbriki Enterprises and it is a great working example now of why it will never work and why it cannot work. I will ask the General Manager to go into some detail to answer that question.

Mr HART: Just to explain a little bit about Kimbriki Enterprises, which is a company that was formed by four councils—Manly, Mosman, Pittwater and Warringah—the intention was to set up a company to manage the waste for the four councils. The company was to take a lease over the landfill which is, in fact, owned by Warringah residents and based in the Warringah local government area. The principal reason behind it at the time was to set up a company that would just ensure that it was managed and run by an independent board of directors and not by politicians. The Division of Local Government said that Warringah Council must hold a 51 per cent shareholding and, as I mentioned to you earlier, it must consolidate its results into its financial reporting, which it has done since inception.

To actually build trust—and this is the important point I want to stress—amongst the shareholders, the administrator who was in charge of Warringah at the time, and I had just been appointed, agreed to clauses that limited its say as a 51 per cent shareholder to literally one vote out of four over a number of decisions. For any major decisions what is called a super majority, which is three councils, which must include Warringah, is required for something to happen. We are now eight years down the track. The practice of getting anything agreed has been difficult. PPP guidelines have not helped, but that is a separate topic. This is talking about a \$100 million investment in an alternative waste treatment processing facility and a mixed recyclable receivable facility. There is a need for a road to be built. We are the asset owner and we propose building that road. At this point in time agreement cannot be reached between the shareholders over the construction of that road, which is required for the development.

The point I want to stress is this: Once you have got skin in the game—in other words, a lot of money in it—then the idea of having a single vote when you have got three to four times more money invested does not work in a commercial world. I might add, being a Kiwi as well as an Australian, I am very familiar with the Bay of Plenty Local Authority Shared Services, or BOPLASS. For those who are not familiar with that, it is the Bay of Plenty ROC equivalent, which encompasses about seven councils. They had made great progress, like the Hunter, until they came to putting in one computer system. At that point in time, Tauranga City Council, which is the largest council by a long way, said, "Well, if we're putting more money in then we expect a bigger say about how it operates." At this point in time they have stalled as well. So the regional organisations of councils, as my mayor pointed out, do not work particularly well when you start to get skin in the game.

Mr REGAN: I have one last example just on that point about regional organisations of councils. When Minister Hazzard was the planning Minister and Mike Baird was the Treasurer, we had our regular mayors meeting and I suggested we do a shared services model around town planning, because the Act had just changed and we had a standard template document. It was a great opportunity to really demonstrate how shared services might actually work. Low and behold, no, it could not. Mike Baird as Treasurer said, "Well, this is a great idea. We could help by looking at Government funding for this sort of a project to happen across all councils. If it was a successful, it could be a pilot project." Minister Hazzard thought it was a great idea because it brought regional planning together. You would have one central bureaucracy running regional planning and strategic planning and you would make significant savings, because whether you take 2,000 development applications or 500 development applications you need four or five administration staff.

So all of a sudden we would have more resources to do town planning, create very real savings and deliver higher levels of service. There was one standard document. So you could have your Pittwater region planning, your Manly region planning and you could break Warringah up into two or three different regions for planning. You could have those regions because you suddenly had more resources to do it. But, no, according to the general manager of Manly and according to the mayor of Pittwater at the time that was amalgamation by stealth. They said, "Over my dead body; we're not going to have Warringah doing this; it would just be Warringah running this process." I said, "Well, take us out of it. I don't really care." Mike Baird, Brad Hazzard and Rob Stokes all just shook their heads, as they should, because it was a real opportunity lost to do an actual project of shared services using a current template document. It was a lost opportunity. Regional organisations of councils are about personalities—it just does not work.

The Hon. CATHERINE CUSACK: I believe that you have a shared beach—is it Dee Why and Collaroy?

Mr REGAN: No, that is probably North Narrabeen.

Mr HART: No, there are lagoons.

Mr REGAN: We have Narrabeen lagoon, where we had a drowning this year. Around Australia Day a young girl came in from the Pittwater side where the caravan park is—it is a great spot. She jumped into the water and drowned. Our lifeguards were asked to go and rescue her, which they did. She was in the water for eight minutes. As far as we know she is still alive. Our lifeguards rescued her. We wrote to the council and said, "We need to look at this as an issue." We are in charge of the water body, because they could not afford it, and they have a recreation park which is hugely popular. We said, "We need to jointly manage this and look at putting in lifeguards and what have you." They did not want to know about it. We said, "Well, this is crazy; we are talking about people's lives." It is another example. We have the Manly lagoon and we just had that recent East Coast low there. It was just a nightmare for the poor old local area commander having to deal with both Manly and Warringah in regard to who was in charge of the Manly Dam. At Manly Dam we control the water coming out of there. It goes down into our area but it comes out at Manly Beach and so we had Manly Council resources—

The Hon. CATHERINE CUSACK: Are you saying that the water is not respecting the council boundaries?

Mr REGAN: Yes, it is terrible, is it not! The natural environment does not respect council boundaries. We come back to what I was talking about earlier with the natural environment. I was talking about how one council could actually manage that far better because, let us face it, natural resources like lagoons and waterways do not have boundaries—and neither do businesses, frankly.

The Hon. BEN FRANKLIN: I have just one further question, if I may. Mr Regan, you made a pretty strong statement in your opening statement that a single northern beaches council would be to the benefit of "our kids, our communities, our national environment and our built environment".

Mr REGAN: Yes.

The Hon. BEN FRANKLIN: That was one of the strongest endorsements of larger councils that we have heard. Could you please give us, rather than just the rhetoric, the facts about why it would be good for the northern beaches?

Mr REGAN: We have identified savings, and you can use our neighbours' report listing \$40 million over 10 years or you can use our report listing \$200 million—somewhere in the middle lies the truth, let us say. That is a significant investment back into the community for infrastructure and services. It provides a higher level of services and it gives you opportunities. As a staff member of the City of Sydney for my first 11 years in local government, I know that when you work at a bigger council you have opportunities provided to you to succeed, excel and grow. So there are opportunities in that.

In terms of infrastructure investments, you can partner with the State Government to do things. We have a billion-dollar hospital being built in our area right now. It sits between Dee Why and Chatswood. Our Government cannot afford to put in bus rapid transport to that area and so it has ignored that long-term path because of money. I said, "Perhaps if the council could go partner with you and loan you \$100 million or \$200 million then we would be able to use that opportunity and development could go on around it. We could actually invest in that and do it ourselves." It could be much like what the City of Sydney is doing with the trams and the other infrastructure it has been fortunate enough to build—because larger councils can do that.

We are delivering a police citizens and youth club at the moment for the benefit of the whole of the northern beaches community. It is a \$25 million project, which includes 348 car parking spaces for local infrastructure which can be used for park and ride or by the local community and local businesses. So there are two levels of parking for them to use. We have opportunities to do that for future generations on the northern beaches. You cannot do that as a smaller council. Our neighbours struggle to deliver any projects of significance, and they continue to do that. You only have to read the local paper or look at their financial statements to see that they cannot do that.

So in terms of future generations, the police youth club is a great example. There is the missed opportunity of what we could have done with real infrastructure such as the bus rapid transport. Maybe it should be light rail? I do not know. I hope that we can explore that in the future and that that opportunity is not lost. We could perhaps attract a university to our area. It is something which the northern beaches is missing out on. Most of our kids move out of the area to go and live elsewhere because it takes two hours to get to the nearest university by public transport. So I guess we are looking at opportunities around that.

I touched earlier on the natural environment because water flows in different directions across different areas. We have a chance to do regional planning together. If you look at the local boards example of where they have direct feedback in, you can actually build quite a strong case for how that works. I talked about town planning. Why do development applications take more than three months in some areas—or six months in most councils locally? They should be taking one week for a change of use application. In the city it takes one day for petition application for a large floor in a commercial building. It should take no more than a week for a change of use application for a business.

We could create an economic development unit—we currently have only one economic officer. We could create a tourism unit to promote Manly and Pittwater as well as Warringah. It is a no-brainer—because we would have the resources. We would make savings elsewhere to fund the resources. So we would put downward pressure on rates and increase the level of services at the same time. Why are we not looking at doing that? We need to have a real vision for the future. The Government has given us every opportunity to do that over the last few years and has provided financial incentives. In Victoria, they just sacked them. In Queensland it was similar. So I think this Government has actually given us a real opportunity to take control of our own destiny, to get on with it and to create a vision for the community. But self-interest is just getting in the way.

CHAIR: That concludes our time for questions. I do have one question that I would like you all to take on notice, given your extensive experience—that is, what is the way to deal with depreciation? Could you suggest to the inquiry how we could deal with that to get a benchmark that works for New South Wales, given all the other issues that you have to deal with? There must be an answer for standardising that a little better.

Ms MOORE: So you are asking each of us to take that on notice?

CHAIR: Yes, please, given your extensive experience at dealing with some of this. I put that question on notice to you all. Other members may put supplementary questions on notice over the next 24 hours. If you have taken anything on notice, you will have 21 days in which to reply. The secretariat will be only too glad to help you. On behalf of all members, I thank you all for appearing and giving evidence here today. I know that, given the capacity you all work at, we could have sat here all day doing this, and I am very mindful of that. At the end of the day, I know the common goal for all of us is that we want our communities to be stronger and better off for the future. I thank you, one and all, for your time and expertise and wish you well as you continue to govern your local communities.

(The witnesses withdrew)

(Short adjournment)

CRAIG WRIGHTSON, General Manager, Lane Cove Municipal Council,

RICHARD QUINN, Mayor, Hunter's Hill Council,

PETER HEAD, General Manager, Leichhardt Municipal Council, and

CATHERINE DALE, General Manager, Eurobodalla Shire Council, sworn and examined:

GAIL CONNOLLY, General Manager, City of Ryde Council,

ROCHELLE PORTEOUS, Mayor, Leichhardt Municipal Council, and

LINDSAY BROWN, Mayor, Eurobodalla Shire Council, affirmed and examined:

CHAIR: Good morning. Thank you for coming along and being witnesses today to this great inquiry into local government. Would anyone like to make a brief opening statement? If it is lengthy we are happy to table it because we are mindful that you are here to answer questions.

Ms PORTEOUS: I would. I thank you for the opportunity to give evidence at the parliamentary inquiry today. You have heard it said on numerous occasions at this inquiry that local councils are the level of government closest to the people and, therefore, the most accountable, the most responsible and the most democratic. I will go one further and say that local government in New South Wales is the backbone of civil society. It is the glue that holds us together. It holds together our volunteers, our community groups, our interest groups, our sporting groups and our chambers of commerce.

I have tabled today a further statement from Leichhardt Municipal Council. At the beginning of that statement is the vision statement that came from Destination 2036, which I and the general manager attended. I want to remind the panel that when the general managers and mayors agreed to join as partners with the State Government in a drive to improve the sector, this is what the council signed up for in Dubbo, not forced amalgamations, which is what we appear to be facing now. Councils are being depicted as broken, but councils are not broken. Yes, some councils are doing it tough but we must remember that most councils are doing an awful lot right. For example, Leichhardt Municipal Council's 2015 community satisfaction survey shows that 98 per cent of Leichhardt residents are pleased with the overall performance of their council.

Leichhardt Municipal Council is one of the strongest and most financially and environmentally sustainable councils in New South Wales. We have had an operating surplus for the past 10 years. According to the Office of Local Government, we were the best performing of all group 2 councils in 2013-14. TCorp has also confirmed that Leichhardt Municipal Council is in the top 10 per cent of councils in New South Wales for financial performance. So it begs the question: Why does the Government want us to amalgamate with another five councils into a mega council of 342,000 residents?

In seeking to find the evidence to justify this proposal, four of the five nominated councils have undertaken independent modelling with consultants Morrison and Low. The evidence is damning. The mega council will meet only four of the seven financial infrastructure criteria after 10 years while Leichhardt Municipal Council—on its own as a stand-alone council—will meet them this financial year. We have also seen that in that modelling our resident rates go up, our services would be at risk and we would incur significant additional costs. In fact, the advantages for a mega council will not rest with local residents and businesses, but large developers, construction companies and a State Government which is keen to push through bad and unpopular projects.

Mega councils will effectively remove dissent. There will be too many residents per councillors. The sheer size of the council will unravel what binds us together as a highly functioning and tightly knit community. It will remove local advocacy and local voices. It is a loss for the community but a big win for developers and a State Government wanting to push through bad unpopular projects, such as WestConnex. You see, bigger is better—better for developers, better for large corporations, better for a State Government wanting to change planning legislation and stop communities from having their voice on issues which affect them.

In conclusion, I say let us go back to the basics, to the reason mayors and general managers at Destination 2036 voted to move forward with a vision 2036 statement to guide them. Councils are not broken.

All tiers of government can learn from what local governments in New South Wales are doing right, and we can all make significant improvements in local government for the future and for the benefit of our communities. Let us start from a position of reciprocal respect as equal partners with our communities and let us fully engage in the process.

CHAIR: Councillor Brown, do you have an opening statement?

Mr BROWN: Yes, I do. Eurobodalla Shire Council is pleased to have the opportunity to make a formal deputation to the inquiry into local government in New South Wales. Eurobodalla supports the Fit for the Future reform agenda. It is a sound process based on independent assessment and advice, which we believe will result in improved performance for councils and outcomes for our community. The Government has adopted the recommendations of Independent Pricing and Regulatory Tribunal [IPART]. To ensure the ongoing integrity of the process, council believes the Government must now proceed to act on those recommendations relating to the revenue side of the sustainability equation. We have embraced the opportunity to develop an improvement proposal that builds on our existing strengths and demonstrates our commitment to financial sustainability, continued improvement and meeting our community needs.

The council is confident that through planned financial sustainability improvements, effective regional collaboration and a strong local focus, it can continue to operate as a sound, sustainable stand-alone council into the future. This view is supported by the assessment of IPART, which identified Eurobodalla as a no change council. The written submission of council addresses the following issues—of which you have copies: the need to improve financial sustainability in the local government sector and the need to address the current forward funding system for local government. In relation to an optimal scale for council, it is our view that each area has different needs and it is not "one size fits all". The amalgamation agenda appears to be driven by economies of scale and that bigger is better. However, there does not appear to be any overwhelming evidence to support this, particularly in regional and rural areas where a larger council could become more remote from its community.

We believe that working closely with neighbouring councils and other agencies will deliver better outcomes. Eurobodalla is of the opinion that well-established regional organisations undertaking a range of shared services can achieve significant cost savings and improvements to services, at the same time retaining the benefits of smaller councils that are more responsive to its community needs. I thank the Committee for allowing me to make this presentation and we will be happy to answer any questions and provide any additional information at the request of the Committee.

CHAIR: Thank you. Any further opening statements?

Mr QUINN: Yes. Chair, if it is all right with you, I will speak on behalf of Lane Cove and Ryde councils.

Mr DAVID SHOEBRIDGE: It is only if it is all right with them.

CHAIR: Is that a merger?

Mr QUINN: We are of one voice.

The Hon. ROBERT BORSAK: But not one council.

Mr QUINN: Recently, the Premier announced at a local business breakfast that he was disappointed in respect of the responses received from local councils. He also stated that they were not as bold and visionary as he would have hoped. Well, the councils of City of Ryde, Hunter's Hill and Lane Cove are proposing a Joint Regional Authority [JRA], which is a bold, visionary and superior alternative to the New South Wales Government's Fit for the Future proposals. Our proposal recognises that local government needs to change, especially being an equal partner with the New South Wales Government to ensure Sydney grows and prospers as one of the world's leading global cities.

The process undertaken by our three councils in the lead-up to our submission to the Fit for the Future reform program included the community's clear rejection of any forced amalgamation and significant support for the formation of a Joint Regional Authority. Our submission outlined the robust community engagement process that was undertaken and the details of the extensive research and assessment processes demonstrating

that a JRA proposal is a superior alternative to amalgamation and one that meets the State Government's scale and capacity criteria.

I would like to point out that of the 401 submissions submitted to this inquiry, 199 of those were related to the Ryde, Hunter's Hill and Lane Cove submission, representing 49 per cent of the total submissions received by the inquiry. In addition, of those 199 submissions, 169 of them are in support of our proposal for a Joint Regional Authority, so 42 per cent of all submissions to this inquiry support our JRA proposal. Our JRA is considered to be a superior option to that of amalgamation and meets all of the State Government's objectives for local government reform whilst also retaining local identity and communities of interests. We can immediately be better, more efficient and achieve a beneficial financial result through cooperation rather than through any disruptive process of forced amalgamations.

The reasons we chose not to amalgamate include, first, the cost of implementing the Government's proposed amalgamation and this is estimated across our councils to be approximately \$120 million over three years. Secondly, amalgamation proponents assume that all services will produce economies of scale. We have empirical evidence and research into previous amalgamations that has proven that many forecasted savings through amalgamations have not been achieved. Also 92 per cent of our communities supported the Joint Regional Authority [JRA] proposal as their first or second preference, with a second choice being to stand alone. Also the level of local representation our residents will receive under any proposed new mega council is of great concern. Currently, on average every 5,000 residents across our three councils have access to a councillor. Under the merged entity that would change to every 20,000 residents being represented by one councillor.

Our JRA provides the opportunity for each council to maintain its local identity and local representation and to continue to deliver services best delivered at the local level. Amalgamations will diminish the evolution of a highly functional local government sector and delay significant reform for between five to 10 years. The JRA proposes only to share those services where economies of scale exist, such as strategic planning or back office corporate functions. The JRA will deliver these services through a shared services centre. This is why after assessing all the issues and options all of our councils have agreed to support the JRA model, which is consistent with the independent panel's report and recommendation number 43 to initiate joint organisations.

Most importantly, we believe that a JRA is a bold and visionary opportunity for the New South Wales Government. It is a viable reform alternative to forced amalgamations. The core functions and benefits of our JRA will include, first of all, subregional land use and infrastructure planning with a single approach to subregional planning and infrastructure priorities, an agreed subregional section 94 plan across all three councils and the preparation of a single harmonised local environmental plan [LEP] and development control plan [DCP]. Our goal also is to eventually replace the role of the Joint Regional Planning Panel. There will also be a single point of contact for State and Federal government agencies and representatives, a subregional advocacy and subregional procurement, a shared service centre for services which can demonstrate economies of scale and also a robust governance framework which will be overseen by the Office of Local Government.

However, I must stress that the JRA is very different to joint regional organisations of councils, or ROCs as we know them. It differs in this way: the JRA will provide more practical benefits across several layers of government by delivering subregional scale planning and also allowing for joint representation to the State and Federal governments. Also with our JRA model councils cannot opt out from the JRA from time to time. When it is politically convenient to do so they cannot opt out; it is all in. Our JRA will also be empowered to enter into regional contracts on behalf of our member councils. The decisions will be binding and the performance of the JRA will be guaranteed by the development of a four-year business plan overseen by the Office of Local Government.

The model can be expanded or applied across other metropolitan councils in the future. It is also supported by a significant body of independent analysis, research and evidence by industry experts. For example, independent expert advice was sought from Professor Brian Dollery, Director of the Centre for Local Government at the University of New England, who has confirmed that forced amalgamations will not deliver cost savings or efficiencies to ratepayers and businesses in Sydney's north. In fact, Professor Dollery found that forced mergers were not only very expensive but seldom achieved their proclaimed outcomes. Data from the 2008 Queensland experience of compulsory amalgamations shows that the average cost of a council merger was about \$8.1 million in current dollars after the first two years of those amalgamations. Also the former chairman of TCorp and NSW Treasury secretary Professor Percy Allan, AM, has stated in his advice on shared services that there is no compelling evidence to centralise all local council activities into a single mega council—it does

not produce the necessary efficiencies. Hence, the most efficient path for local government is to share those activities that benefit from size and scale whilst keeping in house those activities best done on a small scale.

It is very important to note that the Local Government Act currently does not allow for these things to happen. We would therefore need to request that the Act is updated to empower local government to effectively partner with the State Government to secure the ongoing benefits that a JRA could provide. For metropolitan Sydney the central issue that the independent panel identified was to achieve a more strategic and integrated planning system for our city that will support NSW 2021, the State plan, and to ensure that Sydney grows and maintains its position as a leading global city. I can assure you that our JRA can absolutely deliver better planning outcomes for Sydney and will provide a model that fully complements and supports the Government's vision for the metropolitan area. Our JRA is fit for purpose and one that responds to the challenges faced by all governments as we move through the twenty-first century.

The Hon. PETER PRIMROSE: We have received a copy of a letter from the Sydney Metropolitan Mayors to the Premier. In it they request that IPART's report to the Government be made public at the same time as is standard practice with other IPART reports. They also request that each council be provided with its assessment and any recommendations arising from the assessment. They say that councils are justifiably concerned that IPART's assessments may contain errors as a result of applying a flawed methodology, making incorrect assumptions or misunderstanding individual council proposals. I was wondering if you agree with that and if you have any comments?

Ms PORTEOUS: I certainly agree with that. That is also, I believe, the position of Local Government NSW and has been from very early on. There should be complete transparency and there is an expectation—it was raised again at the briefings that I attended for IPART—that that should be the case. As soon as the decisions are made by IPART they should be publicly available and available for scrutiny before decisions are then passed on to the government.

Mr QUINN: I agree with it also. I agree with that position.

Mr BROWN: We would support that as well.

The Hon. PETER PRIMROSE: Part of the submission from Leichhardt council says.

... any definition of scale must include more than just the resident population. For example, Leichhardt municipality hosts more than 15,000 workers each day, and many thousands more as a destination ... These daily surges in population place significant demands on council ...

Do you believe that IPART is taking account of that in its assessment?

Ms PORTEOUS: I do not believe that they are. Certainly something that was raised again at the IPART briefing in Sydney was the fact that not just Leichhardt but many councils right across New South Wales have populations which are their business populations, their visitor populations and their weekend populations where there is a very significant surge in the demands that are put on local services. That really needs to be taken into account. That has been raised with IPART and I think it is something that should be taken into account for all councils across New South Wales.

Mr BROWN: A perfect example just to enunciate is our local government area has a population of around 40,000 people yet our infrastructure is designed to carry a tourism population which increases to 140,000 people. Therefore the burden of responsibility for providing the services to meet that peak need is placed upon the ratepayer. Therefore in our costings in our budgets we have to expend far more money than we would if we were a council in a more remote area with a similar sized population.

Ms CONNOLLY: I can comment on that on behalf of Ryde. Every day we have more than 80,000 students, staff and workers come to Macquarie Park alone, which is just one of our 23 centres in Ryde. We consider that we service them on an excellent basis daily as well as our resident population, which is over 110,000 people. Absolutely the number of employees or workers entering and leaving regions every day should be considered. Another important consideration could be the number of households that are serviced by the council rather than just a flat population rate.

The Hon. PETER PRIMROSE: You would be concerned then, I would assume, if IPART is not taking account of that?

Ms CONNOLLY: Absolutely, because just measuring resident population does not give a true indicator of the nature and breadth of services that a council can provide to its area. We provide services to more than just residents. We have a very large business community, we have a very large employee community and we have a very large student community at Macquarie University. We service all of those communities on a daily basis.

The Hon. ERNEST WONG: In the submission from the City of Ryde you mention that there is considerable available evidence that the opportunity cost of amalgamation far outweighs any potential benefits and that mergers diminish the evolution of a highly functional local government sector. You then say that merger implementation patterns typically include, at a minimum, a three-year period. The mayor of Sydney also mentioned that. Are you able to elaborate in regards to that particular period of three to five years for amalgamation and the loss of focus on building and advancing a progressive strategic agenda? Are you able to elaborate on that comment?

Ms CONNOLLY: Certainly. Ryde as well as Hunters Hill and Lane Cove commissioned various experts to have a look at what we call the Government's business case for amalgamation of the six councils. Ryde is in a slightly peculiar position in that we were proposed to be split. We were the only metropolitan council that was proposed to be split with one-third going to a mega council to the west towards Parramatta and the other two-thirds going to the east. We have tried to explore the reasoning behind those recommendations and we have not been able to come up with any particular answer as to why that was proposed. A lot of our evidence is based on a two-thirds, one-third split of the numbers.

Having regard to that, Professor Brian Dollery and Professor Percy Allan did some work for us on the cost. All of the work revealed that the cost of amalgamation would be \$120 million over the first three years. There were also ongoing costs of \$7 million per annum over the longer term. That was based on the assumption that the new entity would not achieve efficiencies; that is, it was mostly reduction in staff numbers, no reduction in councillor costs etc. The other disruptive element of amalgamations was the focus on creating the new entity. Of course, it must be an operational focus for the first three years, harmonising salaries and that sort of thing. All of that focus on operational issues meant that the focus on strategic issues was diminished in the first three- to five-year period.

Mr WRIGHTSON: I want to address the issue of scale. Various numbers have been quoted about local government losing \$1 million a day. The research conducted indicates that in 2013-14, excluding the City of Sydney, seven of the 10 biggest councils in New South Wales all made operating losses. The City of Blacktown, which is the biggest council in the State, made a \$12 million loss. The matrix are not lining up to indicate that smaller is not better or that bigger is better. In fact, many of the bigger councils have financial issues. Unfortunately, a lot of the maths that has been done to determine whether mergers will work has been done at such a high level that it is very difficult, and it has involved a great deal of guesswork.

We engaged Professor Percy Allan to look at what was possible through a shared services model. He concluded that the chances of achieving any reform at all were slim if everything were merged on one given day, or even over three years. Northern Sydney Regional Organisation of Councils [NSROC] itself, including a couple of councils from the Shore Regional Organisation of Councils area, did a benchmarking exercise of corporate functions. On average, corporate services probably represent 10 per cent to 15 per cent of a council's budget. There was a gap of 3.6 per cent between the largest and the smallest council. Lane Cove Municipal Council had the lowest cost for corporate services of all the councils benchmarked. Someone talked about saving 1 per cent by changing the executive. There is 3.6 per cent difference there in corporate services functions that we know about.

Mr DAVID SHOEBRIDGE: Is that 3.6 per cent of your overall operating revenue?

Mr WRIGHTSON: Yes. It is around 14 per cent at the larger end and the figure for Lane Cove was 10.7 per cent. There is no guarantee that as we get larger there will be a financial saving; nor is there any guarantee that we will suddenly have surplus budgets. The empirical evidence we studied indicates that the risk involved in trying to achieve these outcomes might not be worth all the effort. For example, Lane Cove Municipal Council today already meets every financial criteria required by the Government, and we are a relatively small council. I understand that Blacktown City Council meets three of the seven criteria. I do not see a direct correlation between size and financial performance or sustainability.

Mr HEAD: Leichhardt Municipal Council had the benefit of undertaking some financial modelling using Morrison Low, independent consultants on the Office of Local Government panel. We modelled the proposed merger of the six councils, with Morrison Low taking on board some of the issues raised such as blending of diverse services across various local government areas. Of course, the modelling is included in our submission. The bottom line was that the estimated cost, based on the Auckland and New Zealand experience of the consultants, would be in the order of \$90 million. There were certainly some identified financial gains, which were mentioned by Randwick City Council, of about \$140 million or thereabouts over 10 years.

However, as the modelling showed, they were more than offset by the disadvantages that occurred in bringing all six councils together and looking at the infrastructure backlog and some of the issues with the operating results decreasing over time and so on. The net bottom line was that, from a financial point of view and taking into account some broader aspects, the six councils would be worse off than if they stood alone. Hence, Leichhardt council and the majority of the other councils took a standalone position in that respect.

The Hon. PETER PRIMROSE: Following on from scale capacity, I note that the Hunter's Hill Council submission states on page 8:

The threshold test of Scale and Capacity is a subjective test. In the absence of knowing what a fictitious amalgamated entity might look like and how it might function/operate, it is unclear as to how IPART are going to objectively assess alternate propositions such as stand-alone proposals, or joint organisations.

Can you speak to that?

Mr QUINN: One of the big issues with the criteria that have been set by the State Government is whether scale and capacity are one criterion or two criteria. Are they two different things on which we must make an assessment? It has been difficult for us to pinpoint and clearly identify the information required to substantiate a response to that criterion.

The Hon. PETER PRIMROSE: Does anyone else wish to comment?

Ms PORTEOUS: Obviously Leichhardt Municipal Council made submissions to the Independent Pricing and Regulatory Tribunal, and I also made a submission myself in terms of the scale and the strategic capacity criteria. The issue of a definition was often raised at the briefings; we wanted a definition of "scale" and "strategic capacity". When the final Independent Pricing and Regulatory Tribunal document was released it was no clearer. All the councils are in the same situation in terms of strategic capacity; that is, they have no benchmark for the 10 elements that would be measured in respect of strategic capacity. I believe they were deliberately left undefined.

I think there is a political aspect to strategic capacity and scale. There has been an issue about whether or not it was a number that would be provided and whether scale and strategic capacity would be linked in any way. Apparently they were and they were being used as threshold criteria for assessment under Fit for the Future. All these issues were raised during the briefing, but they were not addressed in the final documentation. It is indicative of the very poor process that has been rolled out, that councils have been left with this guessing game and are trying to understand what they believe about scale and strategic capacity and how that should be fully addressed. We have done our best to address it in our submissions. However, it begs the question: Is this even valid? There is no evidence to suggest that it is.

Ms CONNOLLY: The City of Ryde Council has looked at the scale and capacity issue in some detail because we have been perplexed that Macquarie Park—our \$1 billion economy that gives us what we consider to be scale and capacity—is proposed to be split according to the independent panel's recommendation. One of the very things that we think gives us that strategic scale and capacity is proposed to be split. Macquarie Park is the second largest CBD in New South Wales, excluding the Sydney CBD. Given our floor space, we are right up there. It is a \$1 billion economy with more than 80,000 people working and travelling there every day. Ryde has \$1.2 billion worth of development under assessment at the moment. That is just approvals in the pipeline; it does not include what we have approved. We have spent the past four years negotiating—we are still in negotiations—about more than \$70 million worth of voluntary planning agreements. We think that gives us scale and capacity. In addition, we are entering into funding arrangements with tiers of government that we think make us an equal partner.

We have just had some cost shifting. I know that the inquiry asked about cost shifting earlier. Council has been forced to put its hand in its pocket to contribute \$10 million towards regional road upgrades because

the State Government declared an urban activation precinct at North Ryde and said that six major intersections should be upgraded and funded under that development, but it failed to fund any of it. In order to get that investment in that area happening, the council has resolved to contribute \$10 million towards non-local infrastructure out of our funds and to match the urban growth contribution for regional infrastructure of just over \$10 million because we just want to see the development happen. However, we are hamstrung by rate pegging and other funding models that do not allow us to operate as an equal partner with government.

The Hon. ROBERT BORSAK: I find the discussion about scale and capacity issues intriguing. I do not want to be critical of Eurobodalla Shire Council, but its submission states that it has been determined as a no-change council. It is a very well run small regional council. On the other hand, Hunter's Hill Council, which is also a small council, is being set up for amalgamation. I take your point and I do not understand the issues about Ryde. The council must have done something to the Government at time some time.

Ms CONNOLLY: I would not want to comment.

The Hon. ROBERT BORSAK: Parramatta City Council representatives said that they were ready to take over any other council they could get their hands on.

Mr DAVID SHOEBRIDGE: I think they wanted to merge with Tweed Shire Council.

Ms CONNOLLY: They have expressed some interest in Macquarie Park.

The Hon. ROBERT BORSAK: Anyone north, south or west of them would do. Why was Eurobodalla Shire Council found to be a no-change council, and obviously therefore by definition fit for the future, whereas Hunter's Hill Council—a small and very well run contained council—did not get a similar designation?

Mr BROWN: I cannot comment on the councils that have not been designated as no-change councils. We started Fit for the Future in a different guise in 2012. We have been going through the process probably longer than that with a view to being financially sustainable. We have been working to this end for some years. Having made some difficult funding decisions, the council believes that it has done exactly what the Government and the Independent Pricing and Regulatory Tribunal require. Interestingly, the six councils on the South Coast are standalone. Kiama Municipal Council and Shoalhaven City Council—

CHAIR: A very good council.

Mr BROWN: It was and is well run. It is difficult to make comparison because of the size of the different councils. I honestly believe that the process we have had in place has been addressing this for some time. We have been making some robust decisions and looking at our services and organisational restructuring. We have examined a broad spectrum of issues. Our Fit for the Future program requires no rate increase and we will achieve all our benchmarks within five years. We believe we have taken a very prudent and aggressive look at ourselves. We have also been open to working with the State Government.

Dr DALE: Perhaps another issue that should be considered in this case is the fact that the local government area is 110 kilometres long and the neighbouring councils to the north and south are more than 200 kilometres long. That may be the reason for the standalone classification. Eurobodalla local government area is 110 kilometres long, Bega local government area is more than 240 kilometres long, and Shoalhaven local government area is also large. Our submission stated that good governance does not involve people travelling for hours to attend a council meeting. The geographical spread of regional councils should be considered.

The Hon. ROBERT BORSAK: I think a subjective measure is that regional councils will effectively be treated differently, provided they meet the fiscal Fit for the Future measures. Why is the State Government not considering JRAs for metropolitan councils?

Mr QUINN: My hunch is that they are seeking—

The Hon. ROBERT BORSAK: It might make you fit for the future and the Government does not want that?

Mr QUINN: I will leave that comment to you Mr Borsak. Quite frankly, we are also perplexed by that. We get the rhetoric of the \$1 million loss a day but when you look at the figures councils, excluding the City of Sydney, across the metropolitan area are actually making \$61,000 a day and are running with a surplus. It is a furphy about the \$1 million.

Mr DAVID SHOEBRIDGE: And it is even more if the City of Sydney is put in.

Mr QUINN: That is right.

Mr DAVID SHOEBRIDGE: You are being generous to the Government.

Mr QUINN: That is right so, therefore, the scale, capacity and the financial argument that bigger is better I think gets killed by that. I can understand the Government's desire to have a greater partnership—and I specifically use the word "partnership" because that is what we are seeking. We want a partnership with the State Government for the whole agenda of planning across the metropolitan area. I think by creating larger mega councils it is perhaps going to respond to the Government's agenda at the cost of the community's agenda in each of our communities. That is why I very strongly argue that the JRA approach still maintains the level of community representation that our communities have come to expect whilst still enabling us to feed through to the State Government the sort of response that they are looking for in terms of subregional and regional planning.

The Hon. ROBERT BORSAK: Now that you have pinned the tail on the donkey, what is the Government's agenda?

Mr QUINN: My view is I think it is the whole subregional and regional planning in greater Sydney. Frankly, I can understand the need for that greater planning response across metropolitan Sydney but we cannot lose the community input. We have got to maintain that balance. I think through our model we have proposed a way of feeding that through to the Government, as we have also separately to this, put in a separate submission to the Minister for Planning in terms of how we might respond to what is proposed for the Greater Sydney Commission.

Mr DAVID SHOEBRIDGE: When you talk about the need for better subregional planning, is that really at the heart of your joint regional association model?

Mr QUINN: Precisely.

Mr DAVID SHOEBRIDGE: Actually devising something that can enmesh on a regional planning level?

Mr QUINN: Precisely so across our three councils, for example, it means that each one of us is not going to be fighting for funding for a park or a regional sports facility, but we do that on a regional basis. We have already started talking about other services which we are actually already doing. In our waste management, for example, that has already started.

Mr DAVID SHOEBRIDGE: If that is done efficiently and cooperatively you can work out which of those services are best dealt with through the joint model and it would be cheaper for residents. Is that one of the benefits?

Mr QUINN: Exactly and that has already started. We have already done that.

Mr DAVID SHOEBRIDGE: What sort of response have you received from IPART or the Government about your joint organisational model?

Mr QUINN: We have not had any formal response obviously because it is all being assessed but, conversations in the corridors, shall I say, the feedback is that they are happy to look at this even though it is not strictly complying with the template.

Mr DAVID SHOEBRIDGE: Which template did you use? Did you make up your own basically?

Mr QUINN: We used number two, the improvement model.

Ms CONNOLLY: It is worthwhile pointing out that the three councils lodged one submission because we are all in agreement.

Mr DAVID SHOEBRIDGE: It is a wonder IPART did not say, "Computer says no."

Ms CONNOLLY: We went in and saw IPART and we told them that we thought we had a superior alternative proposition to put in front of them, and it relied on being lodged as one submission. It is what I call our blue book plus our two volumes of evidence. In this we made the argument for the JRA as an option because options are allowed to be explored. We all put in our template too because there was not a third option which is a custom-built option for each JRA. In terms of the earlier question about why do you think JRAs are not allowed in the metropolitan area, speaking from my experience of having worked in several government agencies and working in and around the development and property industry, absolutely Mayor Quinn is right—it is all about subregional planning. It is all about property developers and the development industry having to deal with 40 odd separate councils in the metropolitan area.

As a former State agency employee I can tell you that it was an absolute nightmare to have to deal with 42 different councils. Some had the strategic capacity to be able to deal with you as an equal partner and others had absolutely no capacity to deal with you. I can understand the objectives behind making it easier to deal with councils but we think that our model allows that. It is the single point of advocacy for the region. It is a single point for subregional planning. It is the single point for subregional infrastructure planning and it is scalable. We have made it expandable to any number of councils.

Mr DAVID SHOEBRIDGE: I know Mr Wrightson wants to give a response. Would you also respond to what is your democratic model? How will you ensure democracy in your response?

Mr WRIGHTSON: I will answer that question first. At this stage we intend to have two representatives from each council and they would have a governance model—and we have not got all the detail—where they would have a "council meeting concept", a transparency process, not a behind closed doors scenario. In terms of a governance process for shared services, Professor Allen has suggested that the company model is beneficial in trying to drive cost and efficiency so that would be a second component.

Former Minister Page actually visited the Northern Sydney Regional Organisation of Councils [NSROC] in late October and November 2013 and indicated at that stage that the Government was quite supportive of the joint organisation model and was very much urging us to start to work on moving in that direction. For example, at the moment NSROC has got a regional waste disposal contract on which we spent quite a bit of money getting the governance arrangements for how that could manage. The difficulty at the moment is that it is hard to contract because we obviously have all these different entities whereas a contractor would prefer just a contract with one.

I also point out in relation to scale and capacity that, historically, there is probably a reason why a smaller council has traditionally had that "closer contacting". So if your role really is around residential there has not been any particular issue with the size of the council. In fact, there are advantages to it. Taking a couple of leaves out of Lane Cove's book, we invented men's sheds. There are more than 1,000 men's sheds now in 20 odd countries. It started in Lane Cove. Why? Because it was close enough, when someone said, "I wrote this book about a shed" et cetera, the next minute the staff loved the idea. There was no big approval process that took 20 years and the thing got off the ground. The thing that is at risk is being able to be more responsive on local issues, particularly in relation to residential day-to-day life activity compared to, perhaps, regional strategic planning which is why we are agreeable to participating in another body that can provide greater capacity there.

CHAIR: As the Committee travels across the State it is finding that one of the issues about whether a council does or does not amalgamate is the loss of vision for local central business districts. Eurobodalla probably has three major centres, and Ryde has talked about what is happening there. What would be the impact on these major central business district developments if your council was forced to amalgamate?

Mr WRIGHTSON: Particularly from the perspective of Lane Cove it would be a bit like what the City of Sydney referred to. Lane Cove is going through a boom at the moment and we are reinvesting in a whole lot of infrastructure and this would be quite a significant diversion of resources. Traditionally, for whatever reason, councils have focused on one particular commercial area and it has made sure, I suppose in many respects, that it prospers. If we take North Sydney central business district, Macquarie Park, Chatswood central business

district and St Leonards and stick them in one council, from my experience, I do not think the average councillor will get their heads around what is good for each of those central business districts.

I think it is just too big a scale, remembering that councils do not have support staff and all the rest of it to assist them in their role. I just cannot see that someone who lives at Ryde will understand what is good for North Sydney central business district. I think there is an extreme risk that we will basically get one councillor for an area and they will be like little "mini mayors" of that area. In fact, the rest of council or councillors will not understand all the issues in that local area and therefore it will impact on economic activity.

CHAIR: Councillor Brown, do you want to answer that question in relation to regional or rural areas? If you had three central business districts and they were amalgamated there would suddenly be five central business districts that you would have to try to fund successfully?

Mr BROWN: The challenge that is faced in a rural area is that you have parochialism. I cannot comment about the city but in our council area we have three areas and each area reckons that someone is getting more money than someone else.

Mr DAVID SHOEBRIDGE: It is the same in Sydney.

Mr BROWN: I thought it would be but I did not want to make that comment. For us, amalgamating or taking up an opportunity to go with another council would really alienate those other areas and we would have competition in those areas. I take the point about mini mayors in each little spot. Our council was dismissed in the early 1980s and it was from that particular cause—the fact that each little area was doing deals with other little areas to make sure that they could get their little area more resources. I think in the governance model, no matter what we look at in local government, it is important to ensure that you have community representation.

CHAIR: Obviously business confidence starts to wane, as do staff and their expertise if they think they are going to amalgamate and they are starting to think about their future. Has the Fit for the Future process slowed down business confidence in development applications and outcomes?

Mr QUINN: I am not involved really closely in all the numbers, which is what senior officers would be involved in. However, my understanding is that probably at the business level not so much. Where I think it is impacting is on the staff of our councils and the culture of each of our councils. There is a sense of, "Where will we be tomorrow? Where will be working?"

CHAIR: What about at the State level? Is the State slowing down its decision process because it wants to achieve certain outcomes before it ramps it up to other outcomes?

Ms CONNOLLY: The comment I would make is that we have been waiting for subregional plans to be delivered by the Department of Planning for some years now. We have been waiting for the Greater Sydney Commission to be enacted. We were told earlier this year that the legislation will be through by mid-2015. We were recently told by the planning Minister that it is now likely to be towards the end of the year. So my opinion is that, yes, they are waiting. They are waiting to see whether a particular outcome arises and then they will do the necessary planning and investing that they should have been doing for the past six to 12 months.

CHAIR: Does the section 88 waste levy burden apply to your councils?

Mr WRIGHTSON: Yes.

The Hon. LOU AMATO: Mr Quinn, you touched on shared services one of which was waste. What other services do you share with councils in your region?

Mr QUINN: Yes, in our own council we share street sweeping. We outsource our street sweeping to another council because it is cheaper for us to have one of our neighbouring councils do that than it is for us to do it. That is a simple example. Some of our corporate services we are also sharing at this stage across the councils. We share a library service with the City of Ryde and contribute to that. So those are a couple of quick examples.

The Hon. LOU AMATO: For how long have they been implemented?

Mr QUINN: Many years.

Mr WRIGHTSON: Could I just add that Lane Cove and about five other councils have had a shared library service computer system for 30 years. Mayor Quinn did not refer to the regional road sealing contract, which every council on the North Shore bar Hornsby participates in. So there is only one price for road sealing between North Sydney and just short of Hornsby. Those procurement activities are well advanced in our region.

The Hon. LOU AMATO: What benefits have sharing those services brought to the councils?

Mr WRIGHTSON: Procurement is one of those things where definitely you can achieve economies of scale. We don't doubt that. That is why we are saying as part of the JRA model we would be doing regional procurement where it can scale-up. But, for example, we do not want to get to the situation where we are trying to scale-up or save money through libraries by cutting branches and all the rest of it. I do not think any of us have got a layer of libraries that are too close together or anything crazy like that. Really what we are saying is that we have already got a shared computer system, there are going to be X amount of people in the library attending to people's needs, we can backend and share how they get paid but at the same time there is going to be the same amount of people there. We see the JRA can achieve those things much faster I suppose than amalgamating.

The Hon. CATHERINE CUSACK: Councillor Porteous, a very controversial meeting took place on 19 June at Leichhardt when the proposal for amalgamation with neighbouring councils was discussed. I understand that you found yourself out of step in terms of representing your views to those of your fellow councillors because council put forward a plan B. Can you explain that plan B to this Committee?

Ms PORTEOUS: Perhaps before I explain plan B I should explain that the position of Leichhardt council is to be a standalone council—that is what was submitted to IPART as our Fit for the Future proposal. What was also added to that—and this was something dealt with at that meeting—was in the case of forced amalgamations, and I do emphasise the word "forced" amalgamations, if council had no other option then the option that would be preferred was the Canada Bay and Ashfield option. That was put in as part of the submission.

The Hon. CATHERINE CUSACK: Another issue, leaving aside the amalgamations issue which we have almost focused exclusively on, relates to the term of a mayor. I have noticed that Leichhardt seems to regard a term of a mayor as being a 12-month period?

Ms PORTEOUS: Under the Local Government Act we elect our mayor every 12 months, yes.

The Hon. CATHERINE CUSACK: You have had about nine mayors in the past 11 years?

Ms PORTEOUS: I would have to take that question on notice. I have not counted them up recently.

The Hon. CATHERINE CUSACK: Some councils look at direct election of mayors. Have you sought the views of the Leichhardt community on that?

Ms PORTEOUS: In my term on council it certainly has been raised on a couple of occasions and a vote has been taken on it, but the position of council has remained that they do not endorse the direct election of mayors. I think it is also worthwhile saying that one of the advantages of having a mayor elected by the councillors is that it requires that the mayor works in a collaboratively way with all the councillors of all political parties. To be honest in Leichhardt, although obviously we don't agree on everything, we actually agree on an awful lot. We have got four Greens, four Labor, three Liberal and one Independent on council. We work very hard to try and get consensus on a lot of the key issues that are important for our community. I think it is a very good example of where it does work. You have to work with all political parties to get good outcomes because we are there for our community. Essentially, we have been elected because we care about our community.

The Hon. CATHERINE CUSACK: I guess I am wondering why you would not let the community have a say? The way it works in Leichhardt is that Labor and The Greens did a deal in 2011. I am just wondering would not a democratic vote of the public be preferable to a kind of—

Ms PORTEOUS: Sorry, 2011?

The Hon. CATHERINE CUSACK: After the last local government election—I apologise, that was 2012—a deal was done between The Greens and Labor to rotate the mayor's position. Is there not a case for saying that letting your community select the mayor is more in the interests of democracy?

Ms PORTEOUS: I can only tell you what the position of council currently is—and that is the position of council currently. In my role here today it is not my role to say what my personal position is on this. I think it is something that works reasonably well in the Leichhardt context. You have to acknowledge that different councils will work differently. If you did want to go to that then I would be endorsing that you would ask your community what they wanted as well—namely, whether they wanted a popularly elected mayor or whether they wanted the mayor to be elected by the councillors. That would be the preferred way to go.

The Hon. CATHERINE CUSACK: How many ratepayers are there in Leichhardt?

Ms PORTEOUS: The population is about 58,100.

Mr HEAD: That is current figure as of 2014.

Ms PORTEOUS: The 2014 figure is—

Mr HEAD: The 2014 figure is 58,300.

The Hon. CATHERINE CUSACK: Do you know how many ratepayers you have?

Mr HEAD: Twenty-four thousand.

Ms PORTEOUS: There you go: 24,000.

The Hon. CATHERINE CUSACK: In your annual report the cost of governance is reported as being \$210,000 for the mayor's allowance and councillor allowances—sorry, \$277,000; \$278,000 for the general manager; and another \$874,000 for senior staff, and that comes to about \$2 million. That seems like a very high cost of governance for that number of ratepayers. Can you comment on that? Do you look at the cost of governance at all in Leichhardt?

Ms PORTEOUS: Absolutely. With our budget we actually do a lot more than the State Government does. We go out to consultation every year with our budget. Our entire budget is transparent for the community to make comment on, we run a number of public meetings, we call for submissions and our staff makes itself available for any member of the public who wants to ask questions. Then we vote on the budget and the budget is decided. It is all very transparent. This is something the community has a good opportunity to vote in, which is not the case I believe with the State Government. Perhaps one of the learnings that could come out of this process is that kind of ownership the local population has of all parts of the decision-making process with the community. The community actually having input into local government is one of the reasons why there is a much greater sense of not just ownership but also that local government generally seems to be doing a better job than the State Government. There is perhaps a learning there.

Mr DAVID SHOEBRIDGE: Nine cents a day per resident.

Mr HEAD: If I could add very briefly, the OLG indicators for 2013-14 had us at around 22 per cent of expenditure on governance administration compared to group two at 25 per cent. We are about average I think in terms of those costs.

The Hon. CATHERINE CUSACK: Would you not concede that it is still very high to spend a quarter of your budget on governance administration?

Ms PORTEOUS: It is medium. It is industry average.

The Hon. CATHERINE CUSACK: Do you think there are ways that the "industry", as you call it, could reduce that cost even further so that more of those funds could be freed up to spend on services for ratepayers?

Mr HEAD: Part of council's submission to IPART does involve—and we are not as far advanced as our neighbours here—in its improvement plan looking at a genuine JO. The improvement plan, if we still survive in November, proposes that we undertake and start the process of developing a business plan to identify exactly what you are saying—to get further improvements and reduce costs, and governance administration may come into that as well.

Ms PORTEOUS: I think the other thing is that you are putting together governance with the senior staff, for example, and I would say that there is a lot of delivery within the role of a lot of the senior staff we have. We are very much a hands-on council. Our director of infrastructure is out there every day working directly with residents on issues, whether that issue is about sealing a road or whether it is about a problem somebody has with a tree that has fallen over a footpath. It is a very hands-on council and it is much valued for that reason. I would argue that in fact the services are incorporated into that.

The Hon. CATHERINE CUSACK: In case I have given you the wrong impression, I do not doubt that people are working extremely hard in these roles nor am I questioning the cost of it. What I am questioning I guess is the capacity to pay for it. How is that high cost of governance being financed? Are there other ways that we can achieve those outcomes more cheaply?

Ms PORTEOUS: I think that people should be reasonably compensated for the quality of the work that they do and I think they are reasonably compensated.

The Hon. CATHERINE CUSACK: I am not questioning the quality of the work.

Ms PORTEOUS: We constantly benchmark the payment that we make to all of the management levels and we are totally on benchmark. Our rates are very much in the category two, they are medium, average; they are not high rates. We benchmark all of the services that we provide. We have in-house staff for a lot of our grounds work but again we benchmark all of that, and that is done on an annual basis. We have an audit committee internally, which is I believe still chaired by Councillor Jobling, a former Liberal Party MLC, who is here with us today.

CHAIR: Thank you for your presentation. Some of you were keen to give evidence before this inquiry. I hope you have had the opportunity of telling the story of your respective communities. Answers to any questions taken on notice or answers to any supplementary questions that may be forwarded to you should be returned to the secretariat within 21 days. The Committee hopes to release its report, which will take all these issues into consideration, around October.

(The witnesses withdrew)

HUGO HARMSTORF, Chief Executive Officer, Independent Pricing and Regulatory Tribunal,

LUCY GARNIER, Executive Director, Independent Pricing and Regulatory Tribunal, and

JOHN COMRIE, Tribunal member, Independent Pricing and Regulatory Tribunal, affirmed and examined:

PETER BOXALL, Chairman, Independent Pricing and Regulatory Tribunal, sworn and examined:

CHAIR: Thank you for coming to the inquiry. Does anyone have an opening statement?

Dr BOXALL: I have a brief opening statement. Thank you, Mr Chairman and Committee members. As part of my opening statement I would like to provide some background on IPART and our role as the expert panel for the Government's Fit for the Future review. On 22 April this year IPART was appointed as the expert panel for the Government's Fit for the Future reforms under section 9 of the IPART Act. Around the same time the Minister for Local Government announced that John Comrie would become a temporary tribunal member for the purposes of this review.

IPART has considerable experience and understanding of local government issues. In recent years IPART has undertaken a number of reviews of local government issues under section 9 of the IPART Act, including local government revenue framework from 2008 to 2009, local government compliance enforcement from 2012 to 2014, benchmarking costs for local infrastructure contributions from 2013 to 2014, review of the Fit for the Future criteria September 2014 and two current reviews—local government regulatory burdens and Fit for the Future review. Following our 2009 work on the revenue framework for local government, in 2010 the then New South Wales Government gave IPART functions in local government relating to the following: Determining the rate peg, that is, council's maximum annual increase in general income; reviewing and determining applications for increases in general income above the rate peg, known as special variations; approving certain increases in council minimum rates; and reviewing councils' development contributions plans that propose contribution levels that exceed caps set by the New South Wales Government.

In relation to the Fit for the Future review, our role as the expert panel is to ensure a consistent, impartial and balanced assessment of the proposals councils were required to submit to show how they will meet the established Fit for the Future criteria. Since our appointment as the expert panel we have been involved in developing the assessment methodology, which under our terms of reference must be consistent with the Government's reform agenda and includes scale and capacity as the threshold criterion; consulting on the methodology, which included consultation with over 300 people and four public forums across New South Wales and the assessment of 174 submissions, including many from councils; and managing the process for receiving the 139 council proposals and more than 1,500 public submissions received in response to those proposals. We are currently assessing the proposals in line with our terms of reference and will be providing the Minister with our report on 16 October 2015. We welcome this opportunity to provide information to the Committee about the assessment process we are undertaking. Thank you.

CHAIR: We are looking forward to that report. That brings me to my first question. Is there any reason why you will not be making that public?

Dr BOXALL: According to the terms of reference, we are to submit the report to the Government. This does happen under section 9 reviews—this is not the only case—and then the Government decides if, when and where they will make it public.

Mr DAVID SHOEBRIDGE: It is not usual though; normally you would release things publicly.

CHAIR: In your opinion, should such a document, given the interest, be made public as soon as possible after you release it?

Dr BOXALL: The terms of reference are quite clear on this. The terms of reference say that we provide the report to Government and, to the interjection from Mr Shoebridge, there are a number of other cases—

CHAIR: Order! Interjections are disorderly at all times. I am asking questions. Please answer my question.

Dr BOXALL: The answer to your question is that we are required by the terms of reference to provide the report to the Government.

CHAIR: Can you outline for the inquiry how the Minister could determine whether or not to go ahead with amalgamation boundary adjustment or other structural reform based on the IPART recommendation that a council is either fit or unfit? Surely there are other factors, other than purely financial, that must have a case made out for it other than the community or a decline in a council's program, which may lead to the current position?

Dr BOXALL: As I mentioned, we will assess the councils' proposals as being fit or unfit according to the criteria which have been adopted by Government. Our methodology states how we will apply that criteria. We will provide that to the Government. That will be just one input into the Government's decision-making process; it is up to the Government how they use it.

CHAIR: With all due respect, if you are aiming at the moon and you are two millimetres off here, you might be 20 miles off at the moon. Have you been given the right tools to assess that councils are fit for the future, or do you think the terms of reference are correct with what you have been asked to do, or do you think that maybe a whole different criteria should have taken place?

Dr BOXALL: We are an independent organisation, as you know, Chair, and we respond to the terms of reference. It is the executive Government that gives the Government advice on the terms of reference.

CHAIR: My question is: Are you confident that the terms of reference you were given with the report you had to write are the right terms of reference to achieve what the Government has asked of you?

Dr BOXALL: The terms of reference are sufficient for us to make an assessment about whether a council's proposal is fit or not fit.

CHAIR: Given that there are 144 councils and there are 12 weeks to produce this, could you tell the inquiry, which has heard a lot of evidence, if you think that the amount of time you have been given to assess these has been quite inadequate?

Dr BOXALL: We are able to assess them adequately and to the high standards of IPART and we will have the report ready on 16 October, but I will defer to my colleague to give more information.

CHAIR: I want to know the process, with all due respect, the whole process of how you are going to get through 144 in 12 weeks, because each council deserves a proper explanation of how your process and the information are put together.

Ms GARNIER: The secretariat reports to the tribunal. We received 139 proposals; we have 17 staff working on the project. That, on average, gives them eight councils each. We have 15 weeks between the closing date of councils and the delivery of our report, which means, on average, there are around two weeks per council to review the proposal.

Mr HARMSTORE: Can I just add to Lucy's evidence there? There are 17 staff dedicated to the Fit for the Future project but there is also a range of other staff within IPART—in our legal area and so on—that also support this process.

CHAIR: How does your agency address the concerns raised by some barristers and silks that IPART's role as an independent review panel in the Fit for the Future process falls short of the requirements of section 15 of the IPART Act for providing recommendations?

Dr BOXALL: This is a reference to us under section 9 of the IPART Act and I think that issue has been dealt with in our final methodology paper because in the final methodology paper we have an appendix which discusses the content of submissions where we have not adopted them as the final paper.

The Hon. PETER PRIMROSE: May I just clarify then, the decision to keep the final IPART report secret when it is presented is a decision of Government, not of IPART?

Dr BOXALL: It is in our terms of reference.

The Hon. PETER PRIMROSE: So is that correct? It is a decision of Government—

Dr BOXALL: It is the Government's decision; it is in our terms of reference. We are to provide the report to the Government and it is up to them when and where they release it.

CHAIR: You referred to section 9 of the Act. The recommendation made under section 9 of the IPART Act is a recommendation made under the IPART Act, I understand, which would mean that such recommendations are subject to the requirements of section 15 of the IPART Act.

Dr BOXALL: I am pretty confident that that is covered in the appendix to our final methodology report.

The Hon. PETER PRIMROSE: Does IPART ever make a mistake?

Dr BOXALL: Not that I know of.

The Hon. PETER PRIMROSE: So is IPART claiming infallibility?

Dr BOXALL: No.

The Hon. PETER PRIMROSE: Therefore, you have made mistakes. I do not want to banter; I am just trying to get this clear. We are talking about a report that you will give to Government. It has been raised with us by a number of witnesses that those who will possibly be adversely affected by this report will not have had the opportunity to see even a draft to comment on your methodology, to comment on your report and, I know justifiably, even in terms of developing your methodology you produced a draft and then you changed it on the basis of consultation. My question is: Can you explain to us why, purely in terms of equity, let alone logic, those people who will be most adversely affected by this decision will not be able to comment and correct even IPART, who do not make errors, possible errors in your methodology, in your findings, in your arithmetic?

Dr BOXALL: The methodology has been consulted on; it has been consulted, we have taken submissions—I think we got 174 submissions, many of which were from councils—so the methodology is clear. We have adopted a number of suggestions from the submissions and the ones that we have not adopted we have said why in the appendix. The next point of your question is about us carrying out the work. We are carrying out the work. We will take on board the councils' proposals and the submissions on the councils' proposals from various affected stakeholders and present that to Government. It is up to the Government to answer why they did not put in the terms of reference whether we should release the report or not.

The Hon. PETER PRIMROSE: I understand. I am not here addressing the final report, I am suggesting that unless you are absolutely certain that your report will contain no factual errors, you believe that there is no possibility that there may be errors in calculations or a misunderstanding or a point that has been overlooked, purely in terms of an equitable process for those who will be adversely affected—and I accept that this may not be an issue for you in the sense of you having to make this decision—you would surely see that there would be some value in providing a draft so those most affected could comment on that prior to the Government using that to make a decision?

Dr BOXALL: There are some cases with section 9s where the terms of reference require us to issue a draft report; there are other cases where they do not. This is one case where we are not to issue a draft report. We are to issue the final report to Government. I cannot comment on the merits of that—it is in the terms of reference. We are an independent organisation. We carry out our functions according to the terms of reference. We are not part of the executive government who advises whether something should be in the terms of reference or not.

The Hon. PETER PRIMROSE: So if executive government said, "Look, we accept that the Independent Pricing and Regulatory Tribunal [IPART] is a valuable organisation. It does great work—and I think everyone accepts that—but, as a human organisation, purely in terms of it processing from an equitable point of view, we believe a draft should be adopted," that would not adversely affect your work?

Dr BOXALL: If the executive government changed the terms of reference and wished us to issue a draft report, we would do so.

The Hon. PETER PRIMROSE: In the time left to me I am going to refer to some of the questions that have been raised. For example, we heard from Leichardt Municipal Council this morning. They raised the issue that they receive 15,000 workers coming in each day and have to provide services for those workers. How precisely are you taking account of that in your scale and capacity test?

Dr BOXALL: Some councils have made that point as part of their proposal, and we take that into account in coming to our decision.

The Hon. PETER PRIMROSE: Can you tell me how? What is the algorithm? Maybe I could ask Ms Garnier—can you tell me what the algorithm is that takes that into account?

Dr BOXALL: There is no algorithm; it is a question that feeds into the judgement—

The Hon. PETER PRIMROSE: So it is a judgement issue?

Dr BOXALL: Yes.

The Hon. PETER PRIMROSE: There is no algorithm involved in this?

Dr BOXALL: Not in that.

The Hon. PETER PRIMROSE: Can you then table what algorithms there are in your decisions? What algorithms are you using to do these evaluations?

Dr BOXALL: It is quite clear from the methodology final report, and it was quite clear in the four consultation sessions that the general thrust of the stakeholder input was that it was not to be a pass or fail or a tick or a cross exercise—

The Hon. PETER PRIMROSE: and not a fit or unfit exercise?

Dr BOXALL: It is fit or unfit. Fit or unfit is not to be determined by some formulaic approach. That was quite clear from the methodology report. Therefore, it is a question of judgement. One of the factors is one of the factors that you have raised. Councils are able to bring to the table in their proposals, and they have done so, a number of factors that they consider relevant and that they think we should take into account.

The Hon. PETER PRIMROSE: Can I ask Ms Garnier then: What weighting would you put on that in terms of judging whether they are fit or unfit, if it is a judgement?

Dr BOXALL: There is no formula. So Ms Garnier is not able to answer that question because it is a question of judgement, and the judgement is made by the tribunal not by Ms Garnier.

Mr DAVID SHOEBRIDGE: The question is: How do you go about judging it? That is the question.

Dr BOXALL: That is an interjection, Mr Chair. Should I take that?

The Hon. PETER PRIMROSE: Dr Boxall, you clearly do not understand how committees work. I am asking questions. I am very happy for another member to come in and seek elucidation. That is the way we are working.

CHAIR: Dr Boxall, just so you know, there is a courtesy around the table that if somebody does interject with a comment that is complementary to the argument then it is up to the Opposition member—

The Hon. PETER PRIMROSE: It is a matter of judgement.

The Hon. CATHERINE CUSACK: Point of order: It is very difficult for witnesses to mind read, based on that criteria, as to whether or not they should respond.

CHAIR: I understand. I am just letting Dr Boxall know that this is not always disorderly; it is only when the Chair rules it so.

Mr DAVID SHOEBRIDGE: It is a judgement call.

CHAIR: It is a judgement call.

The Hon. CATHERINE CUSACK: With respect, how is the witness to know that?

The Hon. PETER PRIMROSE: This is a matter of judgement. Are there any algorithms at all then that you are using to make these assessments?

Dr BOXALL: There is no formula and there are no algorithms.

The Hon. PETER PRIMROSE: So it is a judgement call?

Dr BOXALL: Indeed, and that was made very clear—it was made clear in the methodology report and it was what stakeholders wanted

The Hon. PETER PRIMROSE: Dr Boxall, you are not an economist, are you?

CHAIR: The Opposition has two minutes and 30 seconds remaining for questions.

The Hon. PETER PRIMROSE: Okay, I will withdraw that. It just seemed to be an issue raised in other places. I will quote from a question from witnesses from Hunters Hill council. They said, "The threshold test of scale and capacity is a subjective test." Would you agree with that?

Dr BOXALL: Yes.

The Hon. PETER PRIMROSE: The witnesses continued by saying, "In the absence of knowing what a fictitious amalgamated entity might look like and how it might function or operate it is unclear as to how IPART are going to objectively assess alternate propositions such as stand-alone proposals or joint organisations." Could you comment on that, please?

Dr BOXALL: Those criteria for the scale and capacity are the criteria developed by the panel. So what we need to do is to assess the council's proposal against that criteria. It is a subjective test, and it has been clear all along that the tribunal would exercise judgement as to whether or not a council satisfies the scale and capacity criterion.

The Hon. PETER PRIMROSE: In terms of the precedents for your judgement, can you please elucidate some of the factors that the tribunal will take into account over and above what you have spoken of already?

Dr BOXALL: I think there are 10 points in the criteria which the panel developed. So we take those into account. There two or three other points about community input and the extent to which the councils have consulted. These points are laid out in the methodology paper and they are taken into account also. We have been very clear that local government councils should feel free to put in additional information if they think it needs to be taken into account. We do our best to take that into account as part of the overall judgement.

The Hon. ERNEST WONG: In your final report to the Government with your recommendation will you recommend amalgamation contrary to what the individual councils have suggested in the report or will your recommendation just be as to the fitness of that council?

Dr BOXALL: The recommendation will be fit or not fit.

Mr HARMSTORF: I have a point to make here. There are many ways in which things are referred to IPART. Sometimes we make a determination and sometimes, under section 9 in particular, we make recommendations. In this particular instance although you have heard the word "recommendation" used, and it has been used both inside and outside of this forum, the Government has not asked us for recommendations

under our terms of reference—it has asked us for an assessment of whether councils are fit or not fit. So we will not be making recommendations as such.

The Hon. ERNEST WONG: So you are saying that the recommendations then will come from the Minister or the Government?

Dr BOXALL: There will be no recommendations; there will be an assessment of whether council X, Y or Z is fit or not fit according to our assessment of their proposal against the criteria.

Mr DAVID SHOEBRIDGE: Is it just going to be a conclusion of fit or not fit or are you going to explain clearly why you produced that outcome?

Dr BOXALL: We are going to have a narrative to explain why we have that assessment.

Mr DAVID SHOEBRIDGE: There are three branches of government: the legislature, the executive and the judiciary. Which one is IPART in?

Dr BOXALL: We are an independent organisation established by Parliament.

Mr DAVID SHOEBRIDGE: Dr Boxall, if you could answer my question, there are three branches of government—legislative, executive and judicial—which one do you fit into? I am happy for you to take the question on notice.

Dr BOXALL: I will take it on notice.

Mr HARMSTORF: I would like to address that. As I mentioned before, there are a number of avenues by which decisions get referred to IPART. In some cases we have determinative powers, such as setting the prices for water utilities, in other cases we make recommendations to ministers for them to take to government. In this particular case it is a step short of that even. We have been made asked to make assessments of whether councils are fit or not fit. Those assessments will go to the Minister and the Premier, and beyond that we do not have a role at this stage.

Mr DAVID SHOEBRIDGE: You must know that you are part of the executive. You are not part of the legislature; you are not part of the judiciary; you are part of the executive. You have some statutory protections but you are part of the executive.

Mr HARMSTORF: Yes.

The Hon. BEN FRANKLIN: Point of order: The witness has already said that he will take that question on notice so there is no point continuing down this line.

CHAIR: I will listen to the rest of the question.

Mr DAVID SHOEBRIDGE: I think it has been answered. Mr Harmstorf said yes. You say in your response on methodology, and I commend you for consulting on your methodology proposal, that stakeholders raised concerns, including that it was not clear whether there would be a minimum population target applied in the Sydney region. There is then two pages of further response from IPART but at no point do you answer that concern about whether or not there will be a minimum population target applied in the Sydney region. So I am asking you baldly: Is there a minimum population target?

Dr BOXALL: No.

Mr DAVID SHOEBRIDGE: Why did you not say that in your response in your methodology? It would have been so easy to say that.

Dr BOXALL: We use the population targets or population figures of the panel as a guide but there is no minimum like 250,000 or anything like that.

Mr DAVID SHOEBRIDGE: So you use them as a guide. Does that inform your judgement call?

Dr BOXALL: Indeed, it does.

Mr DAVID SHOEBRIDGE: You do know that the Independent Local Government Review Panel did not put forward those options as amalgamation proposals—they simply said they were something that should be consulted through a much more robust boundaries commission proposal? You know that, don't you?

Dr BOXALL: Whether I know that or not is not the issue; the point is that the Government established the criteria in September 2014. They used the independent panel as input. They bought other information to bear and they made a decision, and we have been tasked under section 9 to assess the councils as being fit or not fit against those criteria. In the case of population, which you have raised, a number of councils wanted to know whether there was some minimum population and the answer is no.

Mr DAVID SHOEBRIDGE: Although the populations in the Independent Local Government Review Panel you use as a guide?

Dr BOXALL: Correct.

Mr DAVID SHOEBRIDGE: Stakeholders also, according to your report, raised concerns that it was not clear whether or not scale and capacity were distinct considerations and not interchangeable. Are they distinct considerations—scale and capacity?

Dr BOXALL: We have to make an assessment about whether a council's proposal satisfies scale and capacity—and it is whether it satisfies all the criteria, which I think is about 11 criteria, which emerged from the panel's report.

Mr DAVID SHOEBRIDGE: This is a simple question. Are they one and the same thing? Are they interchangeable?

Dr BOXALL: They are the same thing—scale and capacity. It is one thing. It is not like you can have scale and not have capacity.

Mr DAVID SHOEBRIDGE: How does scale and capacity add anything?

Dr BOXALL: Scale and capacity emerges from the panel's deliberation, and we have been asked to assess that as a criterion.

Mr DAVID SHOEBRIDGE: Against strategies such as knowledge, creativity and innovation. How on earth do you make a judgement call on that?

The Hon. BEN FRANKLIN: Point of order: I am wondering if the member's time has expired? I just heard the alarm.

CHAIR: The member's time has expired but the other crossbench member has left the room and I was thinking of sharing his time. Given the evidence has been quite contestable on this issue of scale and capacity, we will continue with questions from Mr Shoebridge.

Mr DAVID SHOEBRIDGE: When you are assessing whether or not a council has effective regional cooperation as part of scale and capacity, is it just gut instinct? Is it just a call based on your gut reaction? There are no criteria that you are assessing it against.

Dr BOXALL: No, the criteria are subjective and we make a judgement. Councils have taken this seriously. Most councils have addressed this in their proposals, and we take that on board in coming to a decision about whether the council's proposal satisfies or does not satisfy the scale and capacity criterion.

Mr DAVID SHOEBRIDGE: Ms Garnier, you are the secretary and you are making a recommendation report up to the panel. When you are looking at scope to undertake new functions, what new functions are you taking into account in that?

Dr BOXALL: The point is that the councils—

Mr DAVID SHOEBRIDGE: It is a simple question: What new functions are taken into account?

Dr BOXALL: It depends. Many councils have put up in their proposal, which is on our website, the sorts of things that they think we should take into consideration in assessing scale and capacity.

Mr DAVID SHOEBRIDGE: So you just make it up on a case-by-case basis?

Dr BOXALL: No, we do not make anything up; we assess the proposals which the councils have put up.

CHAIR: From the evidence we have taken, it could be suggested that a lot of councils have inflated their proposal by special rate variations—to be found fit for the future so they can have a stand-alone council. Some may have extended the definition of depreciation quite widely depending on what their local council's understanding of the definition is—and it seems to be whatever you want it to be within the reasoning of depreciation. The third point is that rate pegging has played a huge. Hence the special rate variations. So it is not really a fool-proof situation of presenting to you given the situation of local councils with all of these different variables. How do you process that if it is an objective-subjective outcome?

Dr BOXALL: Yes. I will ask Mr Comrie to address depreciation in a minute but in respect of special variations and rate pegging, during the consultation process—the public forums—a number of councils were represented and they asked questions about special variations. For instance, those councils that received a special variation last year or the year before, or even the year before, are still in the system and so obviously in respect of revenue it is greater than it would have been without the special variation. Then stakeholders inquired what if they are planning to apply for a special variation. So we made it clear that if they were planning to apply for a special variation to indicate in their proposal what sort of special variation and we would take that into account as best we could. For instance, if the special variation looked high or was something that was unlikely to garner support in the event that they did make that proposal, we would assess that as it was. If it was a special variation that was lower and the sort of special variation that had been approved in the past, we would assess that accordingly.

CHAIR: Your organisation sets the rate pegging limit?

Dr BOXALL: We do.

CHAIR: You have all these submissions from councils, you are aware of the stresses as many councils are not financial, and now you are assessing their Fit for the Future program. You would be very aware that many of them need the abolition of rate pegging to service their asset maintenance issues, never mind the plethora of other services that have been cost shifted. How do you process these applications, knowing from day one that many of them are behind the eight ball?

Dr BOXALL: We are aware of the financial positions of councils and rate pegging, but rate pegging is a Government policy and has been a Government policy in New South Wales since the late 1970s. We are not going to comment on whether that is a good policy or not.

CHAIR: I would expect not. My point is that you know very well the situation and then you are getting these artificially inflated figures so people can stand-alone because they want to keep their community council.

Dr BOXALL: The point I made is that we look at the proposal for special variations and assess and treat it accordingly. On depreciation, do you want to hear from Mr Comrie?

CHAIR: Yes, I would love some comment on that.

Mr COMRIE: I will make a couple of points on depreciation, if I may. Relative to other spheres of government, local government is asset intensive—lots of infrastructure, typically long-lived. It therefore has, in an accrual accounting sense, a much higher level of depreciation than other spheres of government. Under accrual accounting and Australian accounting standards, depreciation is a legitimate expense just as any other such as labour, materials or anything else. It is a cost. What depreciation is measuring is an estimate of the consumption of assets in the delivering of services. It is not a cash cost but, nevertheless, a significant cost, perhaps of the order of 25 per cent or 30 per cent for some councils.

Australian accounting standards, which councils are required to follow, does not give councils discretion in respect of picking a number. The accounting standards basically say depreciation has to reflect the pattern of consumption. I appreciate it is an estimate, but you cannot just say we are going to depreciate this asset over 10 years or 20 years or 50 years. We have to provide a reliable estimate of the rate of consumption of the asset, of its value, of its residual value and those figures need to be audited. Will the numbers vary between councils, yes, they will, for a variety of reasons, but I stress those numbers are the council's best estimates of the pattern of consumption of their assets in delivering services and those estimates are audited independently.

CHAIR: No doubt, such as the evidence of regional roads that has been handed over to local government.

Mr DAVID SHOEBRIDGE: What has happened in Taree?

CHAIR: It is unsustainable for them to take on regional roads. Maybe they need to hand them back.

The Hon. BEN FRANKLIN: Mr Boxall, you were appointed to this role as chairman in 2011?

Dr BOXALL: Chairman of the Independent Pricing and Regulatory Tribunal [IPART]?

The Hon. BEN FRANKLIN: Yes.

Dr BOXALL: Yes, 2011, after a competitive selection process.

The Hon. BEN FRANKLIN: Over the past four years or so you have seen numerous processes and have been personally involved in the oversight of those processes through IPART during that time?

Dr BOXALL: Yes.

The Hon. BEN FRANKLIN: In your experienced view, do you believe that the criteria that you have set and the benchmarks that you are now applying will adequately allow you to determine whether or not councils are fit for the future?

Dr BOXALL: Yes, we are able to assess a council's proposal under the criteria that have been established, which were adopted by the Government, and come to an assessment of fit and unfit.

Mr DAVID SHOEBRIDGE: As against that criteria?

The Hon. BEN FRANKLIN: Thank you. I speak to Mr Primrose's point about the methodology and particularly about the changes that were made after community consultation. It may be more appropriate for somebody else to answer, but could you discuss the consultation that was done on the methodology, what changes were actually made and how significant they were?

Dr BOXALL: I will pass that over to Ms Garnier.

Ms GARNIER: We published the draft methodology in late April and we kept that open for consultation for 28 days. Throughout that period we held four public hearings. We went around and we listened to people's views on the methodology. As our chairman has already mentioned, in our final methodology we addressed those comments that had changed the methodology and those that had not and the reasons they had not changed it. The final methodology expanded on the description of scale and capacity. As you outlined, there were some queries around that. It also clarified some of the times for achieving the benchmarks for rural councils and expanded the group of councils that could fall into that category.

The Hon. BEN FRANKLIN: Mr Boxall, the Chair raised special rate variations. Do you have any comments to make, in light of the issues surrounding special rate variations, about the quality of council planning, financial systems and consultation?

Dr BOXALL: IPART has been doing the special rate variation since 2010, which is one year before I arrived. We have done it now for five years. We get roughly 20 to 30 applications each year. I think that councils' financial planning and councils' preparation for that has improved since I have been at IPART. We are now getting a situation where councils understand the process. Last year, for example, there were a couple of

applications that were partially approved and one was not approved. So basically councils, in making the applications, are putting forward the right material. They have done the planning, they have done the consultation and they were making high quality applications.

The Hon. BEN FRANKLIN: I turn to Mr Comrie. You have had a great deal of experience in local government matters over many years. Could you tell me what is necessary to ensure the financial sustainability and viability of councils?

Mr COMRIE: Thank you. I said earlier that local government is infrastructure intensive in its service delivery. The key issue, therefore, is the focus on the longer term, not just the short term in that our asset base will gradually wear out and we have to make sure that our revenue stream, own source and other operating revenue, over the medium to longer term has regard to it and is sufficient to offset long-run service costs. If it is not, we need to focus on what options we have to potentially gradually increase revenue over time or maybe fine-tune service levels. My point would be that if you cannot ensure that in the long run underlying revenue is sufficient to offset expenses, current service levels typically will not be sustainable. They will be in the short term but, in the longer term, a council will struggle to have the capacity to renew and replace assets when required. The problem that typically happens is we are okay in the short run until our assets age and then we have insufficient capacity to have the cash flow to renew and replace.

The Hon. BEN FRANKLIN: I understand you have had a lot of experience in South Australia. Could you give me some comparison, in your view, between the performance of councils in South Australia compared with New South Wales and particularly if you saw any changes following the mergers in South Australia?

Mr COMRIE: In respect of the financial sustainability issues, there were inquiries in all States of the nation about a decade ago. The one in South Australia was first, but other States implemented similar inquiries and legislative reform. In some way South Australia went first in that process, introducing obligations like mandating preparation of long-term financial plans and asset management plans. Those types of requirements are now common in all Australian States. All Australian States, broadly speaking, have gone down the same path in terms of requiring councils to prepare plans and focus more on long-run issues. In terms of amalgamation, South Australian councils went through a voluntary process of amalgamation in the mid-1990s, although it was strongly encouraged. As a result of that the number of councils, roughly speaking, halved from 130 to 68. Obviously there was some upheaval at the time. My perception these days is that most of those councils, after a period of time, would say it was a good thing for them. There would be more people who would be positive about the amalgamation five years down the track.

The Hon. BEN FRANKLIN: Why would they be positive?

Mr COMRIE: I am speaking about South Australia only. Basically speaking, there was a fear of the unknown when it came to amalgamations in South Australia but very few of the people who were against amalgamations continue to vocally publicly hold that view some years down the track.

The Hon. CATHERINE CUSACK: Professor Dollery has made a number of submissions to our inquiry. I will quote from one of them and seek your response to it. In his first submission he says:

The sudden release of Independent Pricing and Regulatory Tribunal's Methodology for Assessment of Council Fit for the Future Proposals; Local Government Consultation Paper April 2015 on 27 April 2015 came as a shock for the NSW local government sector. With a mere two months left to the 30 June 2015 deadline for Fit For the Future council submissions, at a stroke IPART introduced substantial changes to the assessment criteria with which local authorities were to be adjudged.

Are you familiar with that criticism and could you perhaps respond to that?

Dr BOXALL: The Government adopted the criteria in September 2014, so the criteria have been out there for quite a while. That was adopted at the end of probably a two-year panel exercise, so there has been a lot of consultation for about years and then adopted in 2014. After the Government was returned and we were tasked with doing this, we put out our draft methodology paper. It was two months only, but I can say that it is being managed well by councils and by IPART because we have had a situation where a number of councils and other stakeholders made submissions on that paper. I mentioned 174, and we were able to take those and issue a final report. The other important thing is that all councils made the 30 June deadline—all councils that were required to submit apart from the eight in the far west that were not required.

Mr DAVID SHOEBRIDGE: You were going to find them not fit if they did not? That is why; they had a gun to their head.

The Hon. CATHERINE CUSACK: Chair, I have listened patiently—

CHAIR: Keep asking your questions.

The Hon. CATHERINE CUSACK: Did you have any councils request an extension of time?

Dr BOXALL: Not formally. Councils flagged with us before would we entertain an extension of time. We were keen to keep to the 30 June deadline. Once the councils realised that it was important to keep to the 30 June deadline they all submitted on time.

Mr DAVID SHOEBRIDGE: Once they realised they had no option.

The Hon. CATHERINE CUSACK: Mr Chair, it is discourteous and disorderly to interject, particularly since we have listened so patiently to the member's line of questioning.

CHAIR: Mr Shoebridge, please do not interject, especially not with sharp shots like that because it is unfair for all of us who want to do the same thing—although not on this occasion, Dr Boxall.

The Hon. CATHERINE CUSACK: Questions were asked earlier in relation to the role that IPART plays in our system. Is it fair to say that in the Federal sphere we have the Productivity Commission and that IPART plays a slightly different but not dissimilar role in that there are some regulatory functions but it also provides independent advice to government?

Dr BOXALL: Yes, IPART has regulatory functions which are in our Act. An example is determining the price of water for Sydney Water and Hunter Water. We also recommend public transport fares and maximum taxi fares and things like that. But also under section 9, which is what this comes under, the government of the day is able to give us references which are very similar to Productivity Commission style references.

The Hon. CATHERINE CUSACK: And that takes the politics out in terms of seeking to get expert, impartial and independent advice that has been accepted by governments and oppositions for quite some time in New South Wales?

Dr BOXALL: Yes, IPART has been in place since about 1992 and both sides of politics have used IPART as a regulatory function and have made section 9 references for independent advice and independent analysis.

The Hon. CATHERINE CUSACK: Which government may or may not accept over the years?

Dr BOXALL: That is correct. For most of our recommendations which come under section 9 the government often adopts all of them or some of them.

CHAIR: Given the fact that you do water pricing as well, as we have been travelling I have noted that a lot of councils rely on their water utilities to help sustain their councils in indirect ways. Is that your finding?

Dr BOXALL: Yes, and then I will hand over to Ms Garnier. In the template is a provision for councils who have water facilities to make reference to that as being something else which they are doing and which is something that they might want to argue supports their financial position.

CHAIR: I will put that question on notice because our time has run out. Secondly, I also note that many councils were complimentary about the idea of doing a stocktake or a business plan, but the overwhelming evidence was that many of them felt disappointed that the goalposts moved so late in the process before they had to put in their plans. The feedback was that the methodology used was good but it adjusted somewhere near the end and then they had to put in their process. You can follow that piece of evidence in the transcript.

I thank you for presenting this afternoon. It has been helpful. As you can imagine, you are a big part of this inquiry in terms of what local government is expressing out in local government land. It is important that we have thriving councils because strong councils build strong communities. We realise that you have a special place in that and we thank you for it because some of the decisions you have to make for all concerned cannot be easy. You have 21 days to respond to questions on notice. The secretariat will help you. We may put some supplementary questions together that you might also have to answer. Thank you for what you do and thank you for time this afternoon.

(The witnesses withdrew)

(Luncheon adjournment)

ROBYN HOBBS, Commissioner, Office of the NSW Small Business Commissioner, sworn and examined:

CHAIR: Would you like to make an opening statement?

Ms HOBBS: Thank you for the opportunity to speak with you today. In New South Wales there are around 680,000 small businesses employing around 1.51 million people and contributing more than \$42 billion in wages and salaries. Traditionally councils are seen to deliver roads, rates and rubbish to local communities. However, we know that local councils do a lot more than that and small businesses in particular rely on a wide range of business-related services to conduct their everyday operations including applying for development applications, licensing and inspections. Small businesses therefore frequently interact with local government and rely on the support of local councils for their continued sustainability. As well many small businesses carry out their work across a number of locations in many different local government areas. The Office of the NSW Small Business Commissioner has heard many concerns from small businesses about local councils including that there are complex regulatory frameworks, jurisdictional overlaps and inconsistency, protracted time frames, lack of transparency and regulatory creep.

Today I am addressing the Committee in my professional capacity as the NSW Small Business Commissioner to provide a collective voice and to represent the interests of small businesses across New South Wales. My hope for the Fit for the Future reform is that it will encourage and develop local councils that are more responsive to the needs of business and are strategically focused and accountable. In relation to the terms of reference for this inquiry, my interest is primarily focused on the opportunities and benefits that will arise for small businesses if the administrative functions of local councils can be streamlined. Our Small Business Friendly Council Program is the first of its kind in Australia, giving councils the opportunity to work closely with and demonstrate their commitment to their local businesses. Currently we have 67 councils in the program representing over 345,000 New South Wales small businesses and we are very close to another seven councils joining that program. Wherever possible I would like to answer your questions using small business-focused examples, which have been gathered through our daily interactions with small businesses.

CHAIR: I am wondering if you are getting any representations that this amalgamation process is disrupting or creating a go-slow for potential investment in New South Wales in terms of small businesses?

Ms HOBBS: That has not come across the coverage. We cover New South Wales extensively. Seventy per cent of our services are throughout regional New South Wales and it is not something that has come to our attention.

CHAIR: Are you aware of any situations that might arise where the Government may be holding off on opportunities and waiting to maybe quicken the process to see certain amalgamations happen?

Ms HOBBS: No, I am not. Clearly, I am aware of what has been covered in the media but nothing in a professional capacity has come to me about that.

CHAIR: You mentioned regulatory creep in your opening statement. Can you elucidate on that matter and tell us exactly what that is?

Ms HOBBS: I can give you an example. Our small business bus probably features in more press releases every year. Last year we made 336 visits throughout New South Wales to communities. It is very popular for local members in their community. But we deal with 152 councils and shires and what we find as a result of all that is that we have to deal with different rules and different regulations 152 times. We are an experienced government agency that actually understands what it is to work with regulatory frameworks and from our point of view for us to actually put the bus in a particular location can sometimes take one day for approval and it can sometimes take up to two months. Sometimes we are required to have a development application. Sometimes we are not. The fees range enormously. Considering in some communities we are there more than once a year, we have to again repeat the same information—for instance, the size of the bus and the weight of the bus. These are the things in terms of a regulatory creep where they continue to flow on.

Another example I can give you relates to mobile food vendors. These became very popular in the last three years and we see them everywhere. We see them at events. But some of the issues that really come for a mobile food vendor are that there is not one central point of information if you have a mobile food truck where

you can find out about rules and regulations. The rules and regulations are framed with words like "you may", "you should", "at least", "use your own discretion". If you have a mobile food truck where you park it at night then becomes irrelevant to what sorts of requirements that you need. If you happen to be a driver of a mobile food truck and you live in one local government area and you are going to service another and you drive through those local government areas you can effectively be stopped and asked by an environmental health officer about the rules and regulations pertaining to your truck.

I often say about small businesses that I think it is a tough gig in any case. Small business people work really hard. We have got 680,000 of them in New South Wales. I do say that I really feel that they are the backbone and the heartbeat of our communities. In our opinion what we should be doing is making it easier to do business in New South Wales. We should be allowing small business people to work in their business, not on their business. I have to say again I am somewhat defied by how if you have a mobile food van you actually find out what the right rules and regulations are that you need to follow. If we had a situation where we simplify policies I think it would benefit not only the small businesses in New South Wales but really it would benefit our economy because what we would be seen to be doing is creating a very good business environment for small businesses.

CHAIR: That is well said but I think there are some challenges. How do you propose that the Government could deal with things like that? It is a pretty broad brush given that a lot of communities see themselves as unique. Some do not want tables and chairs all over the footpath and some do. That can be managed on a local government basis. What you propose about a one-size-fits-all policy for certain jurisdictions does not work in terms of the realistic community expectations of local government.

Ms HOBBS: I do not agree with the one-size-fits-all approach either. I think that if you take away something that is innovative and it becomes bland there is nothing interesting about it that would make people want to linger in a particular place. But we have 67 councils at the moment who actually want to work closely with their business community and are becoming very like-minded about having similar sized policies. For example, we have a number of coastal councils at the moment and we are in the preliminary stages of looking at a fitness policy for personal trainers. One of the banes of local government if you have an attractive public domain is all the fitness that actually goes on at it, whether it is on the beach or a public park. By getting like-minded councils to come together and ask why should we all have something different and is it possible that we could have a similar policy we could all share, that is going to cut down on what councils are doing in terms of putting those things together.

Another example would be an outdoor dining policy. This is an absolute minefield for somebody who wants to put a table and a chair on a public footpath. One of the things that I say to local councils all the time is, "Why are you charging fees and charges for outdoor dining?" Surely one of the most attractive things about this is to get people to linger. If people linger in public places they are bound to buy a cup of coffee or a sandwich or they might go into a shop. More importantly, when people are passing through those communities they think, "That is wonderful. There's an activated community. Maybe I can stop here." They are the things that change our economy. That lingering part I think is really important. For me if local councils do not have fees and charges on outdoor dining policy that would be terrific. Nevertheless, if there were some standard policies that councils were willing to adopt as their own then we are a long way forward.

CHAIR: I think sadly the cost shifting deficit from State and Federal government puts local government in a position where if they can get cost recovery on anything they tend to dive at it to make a few bucks. The sad thing is, as you say, the liveability or the ambiance that such opportunities present go missing because they cannot get a buck out of it.

Ms HOBBS: They absolutely do but the question I think we should ask is how much is it costing a council to collect the fees and charges in terms of administrative overheads? I think that is really significant. Recently we did a quick survey of outdoor dining and we found that councils can describe them in different ways. You could be, for instance, a footway restaurant or an outdoor dining permit. In some cases the size of an application to apply to have something on a public way can go between three and eight pages. You can have a whole range of technical aspects. There are varying requirements on the sorts of amenities.

There are prescriptive things that certain places might require but the fundamental bones of a policy can be shared. We are very keen to continue work that we are doing with the Australian Centre for Local Government Excellence, which is attached to the University of Technology, of looking at some policies. The thing I must say about our program is that it is absolutely voluntary. What councils would like to take up is up to

them. But we are encouraging these working groups to continue. I think there is a really strong heartbeat from these councils who are wanting to work cooperatively. Recently we held six conferences throughout New South Wales and what we found was councils—I know this will sound odd—started talking to each other and saying, "That's a good idea. Will that apply in my local government area?" All of these things benefit small businesses. What I am very passionate about is making sure small businesses have the best opportunity they can.

CHAIR: That is a very good point. One of the issues is that splitting of CBD councils will detract from the very good work that councils have done with CBD bodies. The concern is that that work will be undone.

The Hon. PETER PRIMROSE: From your experience do you find that bigger councils work better with small business?

Ms HOBBS: I think that any council being keen to work with their business community—big or small—is important. In fact, that is the most important thing to me. The size of the council is not relevant; it is about how well the council engages with its local community.

The Hon. PETER PRIMROSE: So smaller councils could work as effectively with small business in the same way as big councils?

Ms HOBBS: Absolutely. We see that. As I said, we spend 66 per cent of our time travelling throughout New South Wales. We work with metropolitan councils and small regional councils. The smallest council we have worked with has about 3,000 people. We have worked with all the major metropolitan councils from the top to the bottom of the State. The fact that we have 67 in the program shows that, regardless of their size, their business communities are important to them.

We have recently been working with Camden Council. As part of their business improvement measures we have asked councils to indicate how they pay their bills. This is modelled on the New South Wales Government's 30 day payment plan, and that is why we put it in the program. We have seen a remarkable result. We might ask a council how regularly it pays its small businesses and ask it to do an audit. When they find that their figures are not flash they say they will do something about it. Camden Council took it one step further and proposed a policy, which was supported by the councillors, to pay all businesses within 30 days. That is terrific, particularly for small businesses whose cash flow is very important. Camden Council is a small council compared with the metropolitan councils, but it has adopted that policy. It has now shared it with other councils. That is really important.

The Hon. PETER PRIMROSE: It has a good business incubator.

Ms HOBBS: Yes, it does. You know it well.

The Hon. PETER PRIMROSE: I have been involved for a few years. If the council size does not matter, I presume the commitment of the councillors does.

Ms HOBBS: Yes.

The Hon. PETER PRIMROSE: Your submission states:

...the OSBC expects that 'Fit for the Future' will encourage and develop local councils that are responsive to the needs of business, strategically focused and accountable.

What does that mean? How will Fit for the Future achieve that?

Ms HOBBS: I have with me a list of the 67 councils that are now in the program. I will table that for Committee members.

Document tabled.

Members will see the breadth of councils involved throughout New South Wales. Each of the councils is asked to establish a business committee. That committee may be associated with the local chamber of commerce. For instance, the Tamworth Regional Council placed an advertisement in the local newspaper saying that it intended to establish a business committee and that it wanted to work closely with business. It had an amazing number of

applications from people who wanted to be part of the committee. Having that input from the business community helps to create a strategic focus.

Another critical thing about the program is the business improvement measures that councils are asked to develop. One of them is the obligatory payment policy that I mentioned. They are then allowed to develop three of their own. Those business improvement measures can be shared between councils, so they do not have to reinvent the wheel. The program was launched only last September, but we are beginning to see ideas popping up around New South Wales and benefits flowing to the business community. I indicated in one of my previous answers with regard to use of the public domain by fitness trainers that councils are willing to come together and to work collectively to develop a program to benefit their communities. I think it fits the bill in a number of ways. If a council is being responsive to the needs of small business and is strategically focused on what the business community wants then ultimately it becomes more accountable.

CHAIR: Reference is made to small business friendly councils. What are the criteria for a council to be seen as small business friendly?

Ms HOBBS: As I said, it is a voluntary program. When we launched it last year we wrote to all 152 councils and shires in New South Wales. We spoke about the program and what we were trying to achieve. We laid it out clearly in the charter which we asked the councils to consider and which was signed off by the general managers and mayors. In some cases it required a resolution of the council. It depended on how the council dealt with it. We asked them to do a number of things, including committing to paying their small businesses on time. That was modelled on the 30 day payment policy.

We also asked them to come up with three business improvement ideas. The important point is that they are in the council's corporate plan, rather than being off to the side in the administration of the organisation. Because they are reported on in the corporate plan they become visible and they are voted on by the councillors. Given that, we are able to track what is happening. I will provide an example. Let us say that a council undertook to go through a pre-lodgement development application process. If the council did not have the idea in place previously, it might say that its target is to have 10 in the first quarter. When quarter one ended, it would report against the 10. The same would happen in quarter two and quarter three.

The Hon. PETER PRIMROSE: This list is impressive. You have said that a council being bigger or smaller has no relevance. However, you then say that you support the amalgamation of Sydney councils to achieve efficiencies and enhanced service delivery. I note that a number of these councils will cease to exist under the proposal. We already have forced amalgamations. The Committee has taken evidence to the contrary from a number of academics, including Professor Dollery. What evidence do you have that amalgamating a number of small business friendly councils will improve efficiency and enhance their service delivery?

Ms HOBBS: I do not know what councils will or will not be amalgamated. We have 67 who are working together and they are developing common policies. If that is achieved, we will not have 41 policies covering food trucks, 41 policies covering moving skips, 41 policies covering fitness training, and 41 policies covering outdoor dining. If those policies are streamlined the critical factor is that it will allow small business operators to work in their business and not on their businesses.

The Hon. PETER PRIMROSE: You list the City of Sydney as being a small business friendly council. Do you believe that Ashfield, Burwood, Waverley and other small councils would be more efficient and effective if they were forcibly amalgamated?

Ms HOBBS: No, I did not refer to them being forcibly amalgamated. My statement was along the lines that I do not know what will be amalgamated and what will not. I am talking about there being streamlined policies and groups working together. We are keen to do this with councils and the Australian Centre of Excellence for Local Government and to come up with a lot of like-minded policies that councils would be willing to adopt. That would benefit the council area and definitely the business community.

The Hon. PETER PRIMROSE: But you said earlier that the size of the council is not important; it is the council's attitude to small business that is crucial. You state that you support Fit for the Future and the amalgamation of city councils because that will achieve efficiencies and enhanced service delivery. What evidence do you have to support that?

Ms HOBBS: I do not have any evidence because we are not in that position yet.

Mr DAVID SHOEBRIDGE: What about the mythical food? It does not exist.

Ms HOBBS: I referred to fitness trainers in the public domain. If three councils are involved and we end up with one policy covering those three councils, that would be a good outcome.

Mr DAVID SHOEBRIDGE: But you do not need to merge councils to achieve that.

Ms HOBBS: It is not my decision whether or not to merge councils.

Mr DAVID SHOEBRIDGE: But you are supporting it.

Ms HOBBS: My answer is to ask what I can do to support small businesses.

Mr DAVID SHOEBRIDGE: But you are here supporting amalgamations.

CHAIR: Order! It is the time for Opposition questions.

The Hon. PETER PRIMROSE: You say that you support the Fit for the Future process. I am not trying to be rude. You say that you support the amalgamation of Sydney councils. I am trying to understand why.

Ms HOBBS: Perhaps I have not explained myself clearly. If we have 41 metropolitan councils we will have 41 sets of fees and 41 sets of policies. That is not making it easy for small businesses to thrive.

The Hon. PETER PRIMROSE: Would it be easier to get rid of all councils?

Ms HOBBS: That is not my decision to make.

The Hon. PETER PRIMROSE: What would be the ideal number of councils for small business?

Ms HOBBS: Again, that is well outside my remit as the New South Wales Small Business Commissioner.

Mr DAVID SHOEBRIDGE: You have said that having 41 councils is not ideal; how many would be?

Ms HOBBS: That is not for me to say.

The Hon. PETER PRIMROSE: You say joint organisations are good in regional and rural areas. Do you see them as being an option that would overcome your concern about needing consistent policies in the metropolitan area where councils can work together?

Ms HOBBS: Again, that is for others to decide in terms of how they want the model to work. Clearly we spend a lot of time in regional New South Wales and we travel long distances between councils. We would be happy to work with small businesses and the Government with whatever model is presented.

Mr DAVID SHOEBRIDGE: You said that a food truck travelling from council A to council B through another council could be stopped by officers from that intermediate council and quizzed about health standards and regulations. Is that correct?

Ms HOBBS: That is correct.

Mr DAVID SHOEBRIDGE: To your knowledge has that ever happened?

Ms HOBBS: I am not able to answer that. My information for this—

Mr DAVID SHOEBRIDGE: I am asking about your knowledge; you can answer as to the state of your knowledge. Has it ever happened?

Ms HOBBS: To continue my answer. I am also reliant upon the New South Wales Food Authority. If you are asking for evidence and whether I know that has happened, I am not able to tell you. However, I am able to tell you that council environmental health officers are authorised to stop food trucks.

Mr DAVID SHOEBRIDGE: We would like some evidence, not some mythical statement about a food truck. It does not happen; it will not happen; and you know that.

The Hon. BEN FRANKLIN: Point of order: The witness is being hectored.

The Hon. CATHERINE CUSACK: The witness can take the question on notice.

CHAIR: Mr Shoebridge is aware that the commissioner can answer articulately. The witness has chosen not to do so and has said why. I suggest that the honourable member use his time more constructively.

Mr DAVID SHOEBRIDGE: I ask the witness to take the question on notice. You say that the Office of Small Business supports the amalgamation of Sydney councils to achieve efficiencies and enhanced service delivery. Have you read Professor Dollery's evidence that makes it clear that larger councils do not produce efficiencies?

Ms HOBBS: No, I have not.

Mr DAVID SHOEBRIDGE: Do you not think you should read the evidence before you make those kinds of statements? Professor Dollery, the pre-eminent academic in the area, says that it does not produce efficiencies.

Ms HOBBS: I have noted your comments.

Mr DAVID SHOEBRIDGE: What evidence have you relied upon to come to the conclusion that amalgamations will achieve efficiencies and enhanced service delivery?

The Hon. CATHERINE CUSACK: Point of order: The witness is not a member of this Committee and is not required to read transcripts of previous evidence. She is here to answer questions on the basis of her expertise as the Small Business Commissioner. I ask that the member move on.

The Hon. PETER PRIMROSE: To the point of order: It is reasonable if a person makes a statement to this Committee for a member to ask on what evidence it is based.

Mr DAVID SHOEBRIDGE: I will ask the question again. What evidence do you have to support your submission that amalgamations will, in your words, achieve efficiencies and enhance service delivery?

Ms HOBBS: I refer to my previous answers that there are 41 councils in metropolitan areas, 41 policies, 41 sets of fees and charges. I support anything that makes it easier for small business to navigate less people and to do business in New South Wales.

Mr DAVID SHOEBRIDGE: You are here on behalf of small business urging this Committee to support big government. Is that right?

Ms HOBBS: No, and it is erroneous to try to put those words in my mouth. As I said in my opening statement, as the New South Wales Small Business Commissioner I am here to represent the 680,000 small businesses in New South Wales.

Mr DAVID SHOEBRIDGE: How many restaurants have come to you and said that they have to navigate 41 different local council areas and different policies in order to get footpath dining?

Ms HOBBS: I cannot give you a number but what I do take is representations from small businesses who tell me how difficult it is—those 30,000 also in the cafés, restaurants and small bars—to get business approvals.

Mr DAVID SHOEBRIDGE: How many have told you that they have problems dealing with the differences between council A and council B?

Ms HOBBS: That is a question I have to take on notice.

Mr DAVID SHOEBRIDGE: I suggest that most small businesses would be better off dealing with small government and a small council and they are much more likely to be ignored by a bigger council. What do you say to that proposition?

Ms HOBBS: That is not for me to comment on.

Mr DAVID SHOEBRIDGE: Is it your position that restaurants should have free access to public footpaths for dining? Is that right?

Ms HOBBS: My response was I encourage councils not to consider charging fees and charges for outdoor dining because I think it invigorates public spaces.

Mr DAVID SHOEBRIDGE: If they do not charge any fees you would be giving businesses free access to public land for their business facilities. Do you agree that one follows the other, as sure as night follows day?

Ms HOBBS: I do not have an issue with that. When I responded earlier I said there was great merit if people are able to linger in outdoor dining areas. The comment I also made is that I consider that for some councils it took more to collect the fees and charges than to waive them. Anything that encourages public activation and gets people to stop and linger I think is a good thing.

Mr DAVID SHOEBRIDGE: You think there should be a standard policy for fitness trainers and access to public spaces across Sydney. Is that right?

Ms HOBBS: I believe that there should be a policy which makes it easier if you are in a particular industry, whether it is a fitness industry or someone who has a skip on the back of a truck or whatever it is, so you do not have to keep on traversing many layers of policy approvals to get a permit.

Mr DAVID SHOEBRIDGE: There would be greatly different considerations in working out what is fair and appropriate access to fitness trainers on public land at the back of Bondi Beach than there would be on a much less used park 15 kilometres away at the back of Ashfield. Therefore different policies reflect different issues, do they not?

Ms HOBBS: Mr Shoebridge, I appreciate all of that. However this afternoon I have tried to indicate to the Committee that if you are, for instance, in our Small Business Friendly Councils Program and you want to be part of a working group these councils are coming to us voluntarily. They believe that there is a need in their area, for whatever it might be—let us say that we are keeping with the fitness training—to have a common set of rules. They will change from area to area, depending what it is. So it is not—

Mr DAVID SHOEBRIDGE: A common set of rules that change from area to area.

Ms HOBBS: I stress to the Committee that it is not a one-size-fits-all approach for every policy. It is dictated by whether councils want voluntarily to work on those things together.

CHAIR: Having worked with small businesses I note your intent. Councils have waived the fees as they are really an indirect donation. You are suggesting, which is probably more likely, that if council was to waive the dining fees on the footpath it would be a community-led decision, given the fact that the community voted for the council and the councillors have made a decision relating to the social capital, the ambience and the cosmopolitan lifestyle in their central business districts. Would you be of the view that that was a community decision?

Ms HOBBS: I would.

The Hon. LOU AMATO: I share your passion for small business—a passion that was evident today. I understand what you are trying to say in relation to small business. Along the 23-kilometre stretch of Parramatta Road are 10 councils. If someone were to open a coffee shop or a café under a franchise arrangement each council would have different rules, regulations and problems, it would be hard to open up businesses across the

board and there would be fewer employment opportunities. If larger councils increased the businesses in their council areas employment opportunities would also increase. You are saying that you would support it if it made the process easier?

Ms HOBBS: Yes, I am. The other thing I would like to add is that it is hard enough for those of us who have English as our first language. If you happen to be a multicultural small business—and more than one-third of all business owners in New South Wales are born overseas—it is a real challenge for them to try to navigate what they need in order to open a small business in New South Wales. We have developed a suite of materials—

The Hon. LOU AMATO: It is hard enough if you are born here.

Ms HOBBS: It is a bit like the Apple agreement, is it not? You just tick and you hope you are okay. We have developed resources for Arabic, Chinese, Korean and Vietnamese small businesses so they hopefully can flourish in New South Wales as well.

The Hon. LOU AMATO: Are you supportive of the formation of joint organisations to provide consistency for small business across the sector?

Ms HOBBS: Yes. I understand that that is possibly being considered for the regional areas. As I indicated in a previous answer, we travel vast distances in New South Wales. I believe we gave an illustration in our submission to the Committee that sometimes when you are in regional New South Wales councils do far more and provide far greater community resources. Our encouragement to the Committee is always to think beyond the facts and figures of these and to see the wonderful work that these councils do in some communities. We gave as an example in the submission aged care to young people with disabilities actively having meaningful work. I think those sorts of things are really important.

The Hon. LOU AMATO: When you are dealing with a lot of small councils do members of the public tell you about the difficulties that they are having with one council as opposed to another?

Ms HOBBS: I think that will always be the way, quite frankly. It can be on whatever the issue is that people would say that. It can range from anything.

The Hon. LOU AMATO: Are rural and regional councils more supportive of small business than councils in the metropolitan area?

Ms HOBBS: The document I tabled earlier shows that the 67 you are currently seeing cover all of New South Wales. As I indicated the smallest is Hay with 3,150 people and then you have the great metropolitan councils from Liverpool, City of Sydney, Wollongong, Newcastle and anywhere in between. I think that is a good cross-section.

The Hon. BEN FRANKLIN: You outline in your submission that the Office of Small Business Commissioner has heard repeated concerns about local government including a range of matters to which you referred in your opening statement, including complex regulatory frameworks, protracted time frames, lack of transparency and regulatory creep. The one on which I would like to focus concerns jurisdictional overlaps and inconsistencies. I have two questions. First, can you give us some examples of concerns about jurisdictional overlaps and inconsistencies? Secondly—and I did not agree with the badgering of you by Mr Shoebridge—would you agree it is exactly for that reason that you believe a smaller number of councils would in fact help small business?

Ms HOBBS: I will take the first part of your question first. Let me give as another example skip bins in the Sydney metropolitan area. There is enormous complexity and inconsistency in council processes regarding skip bins. The two biggest sectors that we look after at the Office of the Small Business Commissioner tend to be from the construction industry and the agricultural industry. These are two councils that share a border and that are right next door to each other. One council requires a fee for a skip bin only if there is metered parking or time parking in the street. The other council requires fees regardless. The fee structures between the two neighbouring councils vary substantially. One council has a set weekly and/or daily rate and the other council has a standard fee, plus a daily rate that varies depending on the size of the dwelling. Similarly, one council can set the fee regardless of a skip bin size, and the other council's fees are dependent upon the size. One council requires the inclusion of a sketch plan which includes the appropriate dimensions regarding where the skip bin is to be placed; the other council does not require any skip bins to be included.

So any small businesses that are operating across these boundaries such as a builder, for instance, or a subcontractor—remembering that for a significant number of subcontractors English is not their first language—need to be aware of these requirements all the time and they need to be able to find out where they can get this information. If you want to complicate it a bit further you have to get people to fill out the forms, and so it goes on. Then you go through the approval process. Specifically it is those jurisdictional overlaps and inconsistencies. Quite frankly, it should not be this hard.

The Hon. BEN FRANKLIN: That would only be one of 1,000 different examples?

Ms HOBBS: Correct.

The Hon. LOU AMATO: Have you come across any councils that have been difficult for small businesses to navigate? Is one council more difficult than another?

Ms HOBBS: In regard to the 152, I could not give a qualified answer to that. But I can say that the 67 who are working with us and the seven who are about to join are very keen to make a difference in their communities.

The Hon. LOU AMATO: We appreciate someone of your calibre being there and supporting small business.

Ms HOBBS: Thank you.

The Hon. CATHERINE CUSACK: Are you familiar with the issue of holiday rentals?

Ms HOBBS: No, I am not. I am happy to take a question on notice and come back to the Committee.

The Hon. CATHERINE CUSACK: I come from a coastal council where tourism is important and some councils do not like holiday rentals and some of them do. It is a vexed issue that has a significant impact on tourism businesses in those communities.

Ms HOBBS: I cannot say that that is one with which I am familiar, but I am happy to take a question on notice if that is needed.

The Hon. BEN FRANKLIN: I refer again to concerns about local government more broadly and in particular the lack of transparency. Could you elaborate on that? What is the issue concerning the lack of transparency in local government?

Ms HOBBS: In regard to the decision-making process and being a council that is engaged with its business community, you might remember the example that I gave about the business improvement measures that we asked councils to be a part of. To assist Mr Primrose, the other parts of the answer were the 30-day regulatory payment plan, the three business improvement measures and a business board working with the council. In regard to the lack of transparency, up until now before this program came in—it is the first of its kind in Australia and we are receiving interest from overseas and domestically about replicating pilots of this program next year in other jurisdictions which is quite exciting—the business improvement measures needed to be in the council's operating plan.

When these are reported on each quarter a council can say, for example, "We have done so many pre-development lodgements. We have a business application which we have put into our local area. We have improved our procurement process." All of a sudden what might have been hidden within an organisation before now becomes transparent and those figures are reported on every quarter and we can begin to track that. I think the really important thing is that councils themselves can say to their community, "Since we have done this, these are some of the other things that we are doing in your local government area."

We have a situation where some councils are literally allowing people to self-determine their own DAs for outdoor dining, and they go through a particular checklist to be able to do that. Councils also want to have vibrant spaces. I think all of these things where people see these as improvement measures become really important for everybody to share. I think my description before was perhaps a bit like 200 pieces of popcorn with all these business ideas popping up through New South Wales. I think that is great.

The Hon. CATHERINE CUSACK: Would you like to expand a little further about those who are trying to provide services to local councils but who are dealing with multiple councils and having to be accredited to do work for multiple councils?

Ms HOBBS: Procurement is always a challenge. It does not matter the size of the business, whether it is a big or a small business. We are working very closely with our colleagues at the Department of Finance, Services and Innovation to make it easier for businesses to actually have procurement in New South Wales.

The Hon. CATHERINE CUSACK: What are some of the hurdles they are currently facing in relation to local government?

Ms HOBBS: Some of the hurdles they face in particular in trying to get work—and it is in the three tiers of government if you like: Commonwealth, State and local council—is actually competing against larger business. The challenge smaller businesses will always have is that a consortium of a large business will always have more resources and sometimes the smaller guy gets left out.

The Hon. CATHERINE CUSACK: I was thinking if one was providing a gardening service or something like that across various councils, for example, the 10 councils that straddle Parramatta Road, one would need to comply with 10 different sets of policies and 10 different contracts.

Ms HOBBS: What does happen, and I think the Committee is probably familiar with this, is the ROC structure. Sometimes where you have groups of councils they will go through a combined tender process, for example, so it might be for waste, stationery, fleet management or landscaping services. I am happy to take that on notice and come back to you with some more information if that is helpful.

CHAIR: When I was out and about I was shocked to see that one of the councils I visited did not have a good relationship with its business chamber. In fact, it did not have an engagement at all. It surprised me that in the twenty-first century that engagement was missing, particularly given job needs and the need for stimulation of local economy. I applaud your efforts with the Small Business Friendly Councils.

The Hon. CATHERINE CUSACK: Have you been holidaying in Byron Bay?

CHAIR: It was somewhere up that way. I am not going to name the council. There is no doubt that until small business has a blueprint with councils about their way forward in order to build strong, economic economies then a lot of those places are going to go backwards in terms of jobs, particularly for young people. I have enjoyed relationships in negotiating with small business chambers but for anyone who has not then it is basically the first indication that their community is going to die through unemployment for a start.

Ms HOBBS: That is why in terms of our Small Biz Connect last year we provided 48,000 hours of small business advice through 65 business advisors in New South Wales. There is so much more work to be done. We are a very young agency comparatively speaking, but to be able to get out there and work with those businesses at whatever stage they are of their business cycle—whether they are a start-up, someone who is thinking about the idea, if they are part way through or thinking about what their future should be—the more services we can provide for a business to be as sustainable as they want to be and to be the size they want to be is really important. It is a great honour to be working with small businesses in New South Wales.

CHAIR: I look forward to the day when you can say that you have that relationship with 152 councils. That will mean they have got the message. You have 21 days in which to reply to the questions you have taken on notice. You may also be called upon to answer some supplementary questions. Keep up the good work. I look forward to hearing some good news in the future.

Ms HOBBS: I think I am nearly halfway. Thank you for your time this afternoon.

(The witness withdrew)

(Short adjournment)

MARCIA DOHENY, Chief Executive, Office of Local Government, and

STEVE ORR, Deputy Chief Executive, Office of Local Government, on former oath:

DEPUTY-CHAIR: Would either of you like to make a short statement?

Ms DOHENY: I would like to make a very brief statement of apology for failing to provide the information in response to the questions on notice by last Friday. I sincerely regret that that information was not provided by the due date. I apologise for any inconvenience that has caused the Committee.

The Hon. PETER PRIMROSE: I was hoping to have been able to ask you some further questions about your answers to those questions on notice today. It is a bit tricky. I note that some government ads in relation to the Fit for the Future process appeared in the media on the weekend. How much are those costing? What is the allocation?

Ms DOHENY: I do not have the exact figure. I can get the exact amounts for the Committee and provide that information.

Mr DAVID SHOEBRIDGE: What is the ballpark?

Ms DOHENY: I would rather not guess; I would like to provide accurate information to the Committee. I will absolutely provide that information.

The Hon. PETER PRIMROSE: Which company is involved in doing that advertising work?

Ms DOHENY: The creative agency was Saatchi and Saatchi.

The Hon. PETER PRIMROSE: How long are the ads expected to run?

Ms DOHENY: Four to six weeks.

The Hon. PETER PRIMROSE: Will they be exclusively newspaper ads or are other avenues expected?

Ms DOHENY: There are some television ads and also newspaper advertisements in a number of different languages.

The Hon. PETER PRIMROSE: What is the purpose of the ads?

Ms DOHENY: It is really a public information initiative to ensure that all members of the community understand the local government reform program. There has been a lot of time and energy put into communicating the program and working with the local government sector. It is important that obviously councils need to understand and work with the State Government on the reform but it is also important that the community understands what the reform is about.

The Hon. PETER PRIMROSE: What do you see as the message in the ads? For those who may not have seen the ad, it is an outline of New South Wales with a series of mechanical devices, which I presume imply that too many mechanisms are involved and we therefore need to reduce the number of councils. Is that fair?

Ms DOHENY: I would not say that the program says we have to reduce the number of councils; it is pointing out that there has not been any substantial reform to the sector for many years and that the boundaries are, in some cases, boundaries that have been in place for many years and so the Government's reform program is directed to strengthening the sector so that communities can derive the benefits of a stronger local government sector.

The Hon. PETER PRIMROSE: Given that the boundaries of the State of New South Wales, which are in this advertisement, have been in place much longer, the metaphor could just as easily apply to the State Government, could it not?

Ms DOHENY: I am sorry; I do not exactly understand the question.

The Hon. PETER PRIMROSE: Earlier today again we heard an argument being made that council boundaries have been in for a long time and therefore you need to change them. We also heard that the boundaries of New South Wales and, indeed, this Parliament have been here since 1842. Is that a good enough argument to pin a campaign on for change?

Ms DOHENY: The Government's reform program derives from the independent panel's report and the report derives from the comprehensive review that it did into the sector. The panel made the point that many of these boundaries have been in place for, I think it used the language of the horse and cart days when the boundaries were established, and the panel's advice was that the sector needed to reform in order to be able to meet the challenges that the future will bring to councils. The panel talked about Sydney's population increasing by a further two million people in the next 20 years and it talked about the challenges facing rural and regional communities. So it was not so much directed simply to boundaries and how old or not they were, it was looking at the challenges facing the community, the challenges facing the sector and what was needed to strengthen the sector to be able to respond to those very real challenges that are coming up.

The Hon. ERNEST WONG: In regards to IPART's final report, do you expect, as IPART has just said, it will just be a report on which councils are fit and which councils are not fit or will you be expecting advice from IPART in regard to what action is needed to ensure that local government is best placed to deliver for its communities and for New South Wales?

Ms DOHENY: The work that IPART is currently doing is considering the submissions that the New South Wales councils have put forward where they are addressing the key criteria, which the Committee has heard quite a lot about, of efficiency, scale and capacity, financial management and asset management. The councils all put forward those submissions and IPART has been asked by the Government to consider those submissions and provide advice on, initially, scale and capacity.

The Hon. ERNEST WONG: You are talking about advice. IPART said they are not going to give any recommendations or advice, they are only giving in the final report the result of which councils are fit and which are not fit. You are saying they are going to give advice.

Ms DOHENY: No, what I was intending to communicate was that the advice will be as to whether councils are fit or not fit; they will not be providing advice that goes beyond that.

The Hon. ERNEST WONG: So who then will decide on if amalgamation is going to be implemented into those councils where it is contrary to what they have suggested?

Ms DOHENY: IPART will deliver its report to the Government on 16 October and then the Government will consider IPART's report and make decisions then about what needs to happen flowing from that advice from IPART.

The Hon. ERNEST WONG: When you say it will make decisions, who is going to make the decisions—your department or the Minister or the Government as a whole? A lot of councils would like to stand alone but if you know that is not the case then you should have forced amalgamation. Who is going to make that decision?

Ms DOHENY: The report will be provided to the Premier and the Minister, who will then submit it to Cabinet and Cabinet will be considering that report and making decisions from there.

The Hon. PETER PRIMROSE: I just go to question 15. In the last paragraph you say, "The Government deferred the consideration of joint organisations in metropolitan Sydney pending further consideration of options for council mergers". Can you tell us what happens now? When will that consideration take place?

Ms DOHENY: The independent panel recommended joint organisations to be developed for rural and regional areas but that joint organisations be put to one side while the question of structural reform in metropolitan Sydney is considered.

The Hon. PETER PRIMROSE: Put to one side—are you saying it is in the bin or it will be available for further consideration?

Ms DOHENY: The recommendation was that it be put to one side. I can get the exact words if you like.

The Hon. PETER PRIMROSE: No, I have read it, but you do not say it has been wiped out; it says it has been deferred. I was just trying to work out deferred until when?

Ms DOHENY: I cannot say when. The immediate focus for joint organisations is on the rural and regional areas and that is where the pilots are being undertaken and, pursuant to the advice of the independent panel, they are not being pursued at the moment in metropolitan Sydney.

The Hon. PETER PRIMROSE: A number of councils have indicated that if not standing alone they would prefer some form of joint organisation, but that has been taken away as an option for them. Again, it would be useful to know when that may be. Can I ask you to take that on notice again?

Ms DOHENY: I can take that on notice. I am not sure there has been any further Government decision-making on the question of joint organisations in the metropolitan area, but I can certainly take it on notice and if there have been any further decisions I can advise the Committee.

The Hon. PETER PRIMROSE: In terms of the final IPART report, the metropolitan mayors wrote to the Premier on 6 August this year and raised the fact that IPART's report, which, as we heard this morning, there are no algorithms, no metrics, it is basically the vibe, and the vibe will then be given to the Minister, who presumably will make a recommendation to Cabinet on the basis of the vibe, but there is no draft involved. If IPART also acknowledged that it occasionally makes mistakes—

Mr DAVID SHOEBRIDGE: No, it did not acknowledge it made mistakes.

The Hon. PETER PRIMROSE: I apologise, the Independent Pricing and Regulatory Tribunal [IPART] did not acknowledge that it made mistakes; but I would suggest that it probably does, which is why it issues drafts occasionally. What opportunities then will there be for councils who believe that the recommendations upon which the Government will act have been made under false or misleading assumptions or misunderstandings? When will councils actually be given the opportunity to correct those or comment on them?

Ms DOHENY: IPART's advice is based on the information provided to it by the councils. It did make available to itself the opportunity to go back to councils and ask for clarification during the course of its deliberations and considerations. So it has had that opportunity. Once it prepares its report it will be, as I said, be provided to the Government. The terms of reference made it clear that, once Cabinet has approved it, IPART's report will actually be made public.

The Hon. PETER PRIMROSE: So after the decision is made people will be able to see the evidence upon which that decision was based? I am just flummoxed by the suggestion that, for something so important, there are no metrics—it is not a matter of just plugging into a program and saying, "Look, two plus three will equal five." We are told that there are a lot of judgements. For instance, Leichardt Municipal Council raised the fact that there are 15,000 workers each day who come into their area as a destination. I asked IPART whether or not that was being taken into account in its scale and capacity considerations. Again, there was no clarification—it was a case of "we're thinking about it". So between the councils putting in their rushed proposals, on the basis of a late IPART report on its methodology, and the final report going to the Minister there is no opportunity made available for councils to actually comment on any drafts or even on the recommendations that specifically relate to them before the Government makes a decision, is that correct?

Ms DOHENY: I cannot pre-empt the Government's decision-making at this stage. The IPART report will certainly be provided to the Government. What the decision-making process will be following on from that I cannot pre-empt and I am not in a position to say.

The Hon. PETER PRIMROSE: So there is no process written down somewhere that says, "This is what will happen"?

The Hon. CATHERINE CUSACK: Point of order: to assist the Hon. Peter Primrose, I am just not sure that these witnesses are the right people to direct these questions to. I think they have answered to the best of their ability, with respect.

The Hon. PETER PRIMROSE: I accept that they are doing this in good faith. I am getting this on evidence so I can ask the right person in about two weeks.

Ms DOHENY: Mr Chair, Mr Orr has something to add.

Mr ORR: Thank you for the opportunity. I think the first thing is that how IPART goes about work is really a matter for IPART. Secondly, IPART has a terms of reference. I refer the Committee to point 2f, which says:

- f. give councils the opportunity to provide additional information. This may include the opportunity for councils to present in person.

So councils do potentially have the opportunity to come back to IPART and provide additional information. How IPART does that is really a matter for IPART, and I think those questions are best directed to IPART. I guess a further point is that the terms of reference were developed by consulting extensively with the sector itself. So the ministerial advisory group, established by the Minister, involving Local Government New South Wales, the United Services Union, and LGPA, had extensive input into the terms of reference in terms of how the expert panel would go about doing its work. It included that particular matter, 2f, to give councils the opportunity to provide additional information. This may include the opportunity for councils to present in person.

The Hon. PETER PRIMROSE: Can councils correct errors that are given to the Minister?

Mr ORR: I think the point is that the question of how IPART does it, and there is a particular matter in its terms of reference as to how it actually does it, is really best directed to IPART in terms of the approach which it actually takes.

The Hon. PETER PRIMROSE: I accept that IPART will produce a report and then it comes through you guys to the Minister.

Mr DAVID SHOEBRIDGE: They said that the Government's terms of reference prevented them from putting a draft report out to have that kind of feedback. Why is that?

The Hon. PETER PRIMROSE: Why is there no draft?

The Hon. CATHERINE CUSACK: Point of order: they said that they are doing it in the normal way.

CHAIR: I am listening carefully and trying to meander through this. I think there is a reasonable point. Mr Orr, I hear your evidence and you are right in saying that it is a matter for IPART. I do not think the question is about that now; I think the question is when IPART does what IPART does and it hands the report to the Office of Local Government what will you do? As I understand it, I think the question is: Why can there not be an interception there to be more transparent and to bring it to the community? So I will allow the questioning at this point.

Ms DOHENY: At this stage, no decision has been made about what will happen. The IPART report will not be provided to the Office of Local Government; the IPART report will be provided to the Minister. The decision will be made after that as to what happens to that report.

CHAIR: Thank you for the clarification. So it will be given to the Minister.

The Hon. ERNEST WONG: I have a very simple question. I was a councillor for about 15 years. At the time I was elected I was the only councillor with a Chinese background. We had about 15 to 20 per cent of Chinese speaking residents in that council area. Accordingly for the last 15 years I have been inundated by Chinese speaking and Korean speaking residents coming to me because they have no accessibility to the council. Bigger councils are proposed under amalgamation. How do you think that problem would be solved if we have fewer councillors and fewer representatives per capita?

Ms DOHENY: The question of local representation was considered in detail by the independent panel and rightly identified as a very important element of any reform. The panel made the point that larger councils do not preclude local representation and that there are a number of mechanisms for facilitating high-quality representation on large councils. The panel provided some examples including precinct committees. It gave the example of the City of Sydney, which has its city of villages structure. It is a large council but it has structures in place to enable local representation and high-quality representation of its ratepayers. It gave another example of place management and place managers as being a way of ensuring that, even with larger councils, people can be properly represented.

The Hon. ERNEST WONG: I am talking about changing demography. Demography is a very important element in local councils around Australia and New South Wales. But that has not been mentioned in all of your process of assessing what will be best for local councils. All I am saying is that because I had that experience for 15 years I know it is not going to be solved in this model that you are suggesting. So I am just interested in hearing your understanding of how to address that issue.

Ms DOHENY: The independent panel did talk about the demographic make-up of councillors currently. It made the point, and this is the point you made, that councillors currently do not represent a broad range of people. They tend to be skewed towards an older age group and they tend to be of Anglo-Saxon origin. Also there is a far greater number of male councillors than female councillors. There was a discussion by the panel of that issue. In that context the panel said that more capable councils will attract more capable councillors and a broader range of councillors. So that may respond to the very valid point you have raised. More people would be interested in participating in local government if the sector was stronger and more capable. That increased number of people will also potentially drive a broader cross-section of people who could put themselves forward as councillors.

The Hon. ERNEST WONG: The issue is that under the model of a super council or bigger councils we will have fewer councillors. We are talking about probably one councillor per 200,000 residents. Councillors will usually be directly accessed by community members. If you only have one councillor representing 200,000 residents, how can that issue of council accessibility be addressed?

Ms DOHENY: As I have just said, there is no evidence that larger councils will produce less diversity in councillor representation. In fact the panel made the point that it may well produce greater diversity of councillors because of the increased attractiveness, I suppose, of more capable councils.

CHAIR: How does your agency determine the value of structural reforms to a region when councils have been asked to submit the proposals based on the impact on their local government area alone? How do councils assess the value of structural reform to a region?

Mr ORR: In terms of the way in which the Government has approached the question of regional structure reform, largely it has taken the view that there is a whole range of issues which confront regional communities. It has recognised that. So that is why the approach we took was based on the establishment of the rural council model. We worked very closely with the sector in terms of those very small councils. Some of the challenges which they face are quite unique and quite different. Hence we put out a specific rural council template, which was largely worked out with the sector, to deal with some of their unique challenges. So there is a recognition that very small councils do have unique issues. The Government responded to that by putting out the rural council template. Equally, there could well be a reasonable case for councils in rural and regional New South Wales to come together and merge. So that is certainly an option for those councils where that is appropriate. Certainly some of the panel recommendations got to that point.

I guess more specifically in terms of the joint organisations which have been established they are an evolution of the regional organisation of councils model. There will be a stronger focus on regional strategic planning in terms of, "Where are we going as a region." We are piloting that approach. Some of the pilots are focused on critical regional issues which confront, say, the Namoi, the Hunter, the Central West, the Illawarra and the Riverina. They are working collaboratively not only as a group of councils but also with State agencies to work out the key priorities for their region and how they are going to work together to deal with those regional priorities.

The joint organisation model will also get to the issue of how councils can work together more collaboratively. Certainly when we put forward the Fit for the Future program we recognised that working together collaboratively was part of the solution for rural and regional New South Wales. There could be a

shortage of skills in some of the more remote communities. A strong joint organisation could have engineers or town planners and be a source of those skills for those particular communities. So the joint organisation is another element of structural reform within New South Wales. We are certainly working with those regions and those communities in developing the best possible model which meets the needs of the region and the council and builds a more professional relationship between the State and local government sector.

Mr DAVID SHOEBRIDGE: I must have misheard your question.

CHAIR: There are a lot of rural and regional areas that have multiple business chambers that are fighting for the council's attention and funding. The evidence we have received is that some councils are very concerned that as councils merge there will be more business chambers competing for those dollars. Have you thought about implications of those types and the competition for limited funds amongst rural business chambers? For instance, there might be three chambers of commerce in one council area and two chambers of commerce in another council area. If they come together, there will be five fighting for funds rather than three. Have you thought about that type of thing as an implication of mergers and joint organisations?

Mr ORR: Not specifically in terms of the way in which they come together and the way in which they work with the councils. In saying that, stronger regional councils will be better for regional communities. So if you have more robust regional councils working together, particularly in a joint organisation environment, they can achieve a lot more for their particular regions.

CHAIR: One of the things we have heard in evidence is that if they are personality-based, they will not go anywhere. It seems to be the same issue with the regional organisation of councils [ROCs]; there are egos that are bigger than the interests of the local communities. What are you doing to step away from that situation happening in a joint organisation?

Mr ORR: We are saying to the joint organisation that one of your key priorities is to work out what are the key regional priorities for your region and evolving this view, which is let us have an individual council view, so individual councils will have a whole range of issues for which they will be seeking funding for and the like. Equally, as we all know, roads do not stop at council boundaries.

CHAIR: That is right.

Mr ORR: There are all those sorts of issues and one of the key priorities for joint organisations is to be able to say the key things in our region are these three or four key projects, and we all want to work together on achieving good outcomes in respect to those three or four key projects. It may be about transport, it may be about employment but what the joint organisation enables is a strong strategic focus, utilising the strength of the councils, the ability of the State agencies to come together and work out what is not only the priorities, but how we are going to make these happen, not just with the councils and the State agencies but some of the other organisations that you referred to, Chair.

Mr DAVID SHOEBRIDGE: I am trying to get my head around the very late answers you provided. You were specifically asked to provide evidence anywhere on the globe where mergers have produced lower rates. You have provided a table for which you say, "Please find the table of 2000-2014"—I think you mean 2004—"mergers in New South Wales with the comparison of the average rates for each classification of council in 2013-14". Do you see that?

Ms DOHENY: Yes.

Mr DAVID SHOEBRIDGE: You were asked to find evidence where the amalgamations produced lower rates. This table does not do that. Why did you not answer the question?

Ms DOHENY: I have some examples where council mergers produced lower rates but the point about rates—it is very important to keep in mind that comparisons of rates across States and even between councils can be misleading.

Mr DAVID SHOEBRIDGE: Mislead me. Where have mergers produced lower rates?

Ms DOHENY: For example, in considering rates, it is important to look at what the councils are actually doing and then to look at how the rates are actually arrived at. For example, in Queensland, Brisbane

City Council is responsible for transport. In Victoria, many councils have strong social services programs. In New South Wales we have councils that have the traditional roads and rubbish-type activities and we also have councils that have very extensive social and community programs and then we have councils that run water businesses and sewer businesses. In thinking about rates we have to think that councils do different things and they arrive at their rates using different mechanisms. I could have said, "Well, in Drummoyne rates went down after the merger". Equally, in other cases, rates have gone up after mergers, so we thought it was more helpful to provide average increases in rates, looking at the councils that were merged post-2004.

Mr DAVID SHOEBRIDGE: You said it was useful to produce average increases in rates. Where does this table show the average increase in rates?

Ms DOHENY: Sorry, not at the—

Mr DAVID SHOEBRIDGE: That would have been useful but this answer was not. Where is the average increase in rates?

Ms DOHENY: Sorry, the table provides average rates compared to the group average for that category.

Mr DAVID SHOEBRIDGE: In your earlier answer you hit the nail on the head about what is the problem with your answer. You have not addressed whether rates went up or down overall in those merged areas. That is what you were asked to do. You have not done your homework and you are the head of the Office of Local Government. When will you have your homework delivered to the Committee?

The Hon. BEN FRANKLIN: Point of order: Mr Chairman, I am sympathetic to my colleague asking the questions that he feels he needs to ask, but I ask that he be directed to not use personal, fairly insulting terms.

Mr DAVID SHOEBRIDGE: There is nothing insulting about homework. My children manage to do it.

The Hon. CATHERINE CUSACK: With respect, it is sarcastic.

CHAIR: The term "misled" was used and other comments were made. I do not think we need to speak down to the witnesses. I think an appropriate question would be helpful.

Ms DOHENY: Mr Shoebridge, I can assist. Businesses in the former Concord local government area experienced a significant reduction in average rates after those councils were merged, falling from \$4,114 per annum to \$2,415—

Mr DAVID SHOEBRIDGE: What happened in the balance of the merged area?

Ms DOHENY: —while average rates for businesses in the former Drummoyne local government area increased from \$1,238 to \$2,415. The information is not like for like. So, yes, I can point to a council where rates did reduce.

Mr DAVID SHOEBRIDGE: No, you can point to half of a merged entity, a former council. I am asking you where the overall rate take of a merged entity was less as a result of the amalgamation than was the overall rate take of the pre-merged entities, and you cannot answer the question. Why not?

Ms DOHENY: I can point you to the information that has been provided.

Mr DAVID SHOEBRIDGE: It does not answer the question. Do you have anyone working for you who can do this kind of analysis, or are you simply unable to do the job of a government department and provide this kind of analysis?

Ms DOHENY: I think it is important overall to look at what happens with rates after mergers, and this table provides a very robust analysis of what happens.

Mr DAVID SHOEBRIDGE: This does not show what happens as a result of mergers; it shows where the rates were in 2013-14. It does not say what has happened between 2004 and 2013-14. Your evidence is not helpful.

Ms DOHENY: It shows the position of rates in the post-merger councils compared to councils that were not merged.

Mr DAVID SHOEBRIDGE: But it does not show what happened to them. Do you not understand that?

Ms DOHENY: I can take that question on notice but I would point you to the information that is available in the letter.

Mr DAVID SHOEBRIDGE: Did your office have a role in setting out the terms of reference to the Independent Pricing and Regulatory Tribunal [IPART]?

Ms DOHENY: Yes, it did.

Mr DAVID SHOEBRIDGE: What is the difference between scale and capacity?

Ms DOHENY: Mr Orr worked on the development of the IPART's methodology and he was working closely on the terms of reference. I will ask him to answer the question.

Mr DAVID SHOEBRIDGE: Provided he answers the question. What is the difference between scale and capacity, Mr Orr?

Mr ORR: Mr Shoebridge, in terms of scale and capacity, the two concepts are linked together. I can point you to the panel report and I can read back to you what some of their findings actually were.

Mr DAVID SHOEBRIDGE: It would be better if you answer the question.

Mr ORR: I am answering the question. I can go through all of that and explain that to you and I can read it back to you, if that is what you want me to do.

Mr DAVID SHOEBRIDGE: Just answer the question.

Mr ORR: The point is that scale and capacity are two terms that are linked. Scale is about the size of an operation. Capacity is about the ability of the operation in respect of the way in which they do things. The two terms are obviously linked. The panel clearly showed a link between the two terms. I can read to you some of the observations which were made by the panel in relation to those terms, if that is helpful.

Mr DAVID SHOEBRIDGE: Does your office have any guidance for councils about how they should address the issue of knowledge, creativity and innovation—

Mr ORR: Mr Shoebridge, I can point you to—

Mr DAVID SHOEBRIDGE: No, let me finish. Is that a scale question or a capacity question?

Mr ORR: I can point you to the process we put in place to deal with these issues. As you would be aware, the way in which the office went about this was basically to put it back to councils and say, well, councils, you have requested this report of the independent panel. Now is your opportunity to provide evidence-based responses to the recommendations of the panel, as per the recommendations that the panel made. So we have been absolutely consistent in respect of the way in which the panel has gone about its work and the recommendations from the panel. As you would be aware, we have put out template number one, which was a council merger proposal, and I can take you through elements of that, if you wish. Template number two was for those councils that wished to remain the same, and template number three was the rural council proposal. Within those, councils needed to address the question of scale and capacity and provide their response to the recommendations of the panel, which is the report that the sector requested.

Mr DAVID SHOEBRIDGE: So is knowledge, creativity and innovation an issue that goes to scale or an issue that goes to capacity?

Mr ORR: It is an issue that goes to both, Mr Shoebridge.

The Hon. ROBERT BORSAK: Mr Orr, why were city-based councils not given the opportunity to form joint organisations? Why was that limited to—

Mr ORR: Again, in respect of—

The Hon. ROBERT BORSAK: Hang on, I am not finished yet.

Mr ORR: Sorry.

The Hon. ROBERT BORSAK: You are raising your voice. I can talk over you if you wish me to.

Mr ORR: Sorry. I apologise, Mr Chair.

The Hon. ROBERT BORSAK: Why were they specifically not allowed to form joint organisations or Joint Regional Authorities [JRAs]? We heard evidence this morning from City of Ryde Council, Hunter's Hill Council and Lane Cove Council that they put in a non-conforming submission. Why did they have to do that?

Mr ORR: My apologies, Mr Borsak, I did not mean to speak over you. Again, going back to the recommendations from the panel, and I will read back, "In the case of the Sydney metropolitan and Central Coast region, the panel considered the establishment of fully fledged organisations should be deferred pending further consideration of options for council mergers". That is what the panel recommended and that is the approach that the State Government took in respect of establishing regional joint organisations with a focus in rural and regional New South Wales.

Mr DAVID SHOEBRIDGE: How does a local council make a submission about whether or not a merger would produce credibility for more effective advocacy? You have asked 150-odd councils to do that kind of analysis. How did they do it? What are the criteria, either of you? I am still waiting.

Ms DOHENY: Credibility, it is up to councils to be able to explain how they have been able to advocate for their councils in their areas in the past, or if they have not been able to do that to put forward their plan for how they are going to be able to increase their capacity to advocate for their local areas.

Mr DAVID SHOEBRIDGE: So they just have a stab in the dark? There are no criteria as to what is more or less credible, there is no baseline? They just have a stab at it?

Ms DOHENY: As I say, they would be able to point to where they have managed to do that successfully in the past, and what they will also be doing in the future to better enable themselves to advocate effectively for their council areas.

Mr DAVID SHOEBRIDGE: What new functions is your department proposing that local councils have as a result of Fit for the Future? List them.

Ms DOHENY: I am sorry, are you referring to the definition of scale and capacity?

Mr DAVID SHOEBRIDGE: What new functions is your department or the Government proposing that councils have as a result of Fit for the Future? Please list them.

Ms DOHENY: The point about scale and capacity is for councils to consider what they should be doing to better support and provide the services and infrastructure that their communities need.

Mr DAVID SHOEBRIDGE: Do you want me to ask the question again?

Ms DOHENY: Some communities are able now to provide very high quality social services and cultural services and also be strong advocates for their local government areas. Other councils are less able to do that, so each council—

Mr DAVID SHOEBRIDGE: Social and support services?

Ms DOHENY: —would be thinking about what they could be doing to better support their councils and be putting forward those sorts of functions in accordance with what is required for their areas.

Mr DAVID SHOEBRIDGE: What if putting forward increased social services conflicts with all of the other financial criteria that your office has set out in the terms of reference? That is a devilish bind in which you have put councils. How do you explain the incoherence in the two different points?

Ms DOHENY: The responsibility of councils is to look at all of the elements of strategic capacity and to consider it in light of what the panel has had to say about the importance of strategic capacity. It is not just the panel, it is research into local government strengthening for the last 10 years or so. The concept of scale and capacity is not a new one. The whole point of the Fit for the Future process is to encourage councils to look at their capacity to provide for their communities and to look at all of those elements of scale and capacity and for them to consider how best to become stronger in each of those areas.

Mr DAVID SHOEBRIDGE: You understand that Professor Sansom is deeply critical of the IPART criteria using as a baseline for mergers the options that were put forward in the Independent Local Government Review Panel because Professor Sansom very clearly said that those options should go through a much more rigorous process than even the existing boundaries commission. Are you aware of that criticism?

Ms DOHENY: I am aware that Professor Sansom has made some comments about the manner in which the reforms are being implemented.

Mr DAVID SHOEBRIDGE: Professor Sansom said he did not have anything like the time, resources, scale or capacity needed to put forward actual merger proposals and he fully recognised there needed to be a far more engaged community process before you would go down that path. Yet you have adopted them as the baseline for fitness or not fitness. Do you not acknowledge the strength in Professor Sansom's criticism?

Ms DOHENY: Professor Sansom's work looked at the whole of the sector. It ranged across almost every area of operations of local government and it made some recommendations in relation to structural reform having regard to the very large amount of work that they—

Mr DAVID SHOEBRIDGE: It did not make recommendations for structural reform; it put forward options that it said had to go through a much more robust boundaries commission process. You are misstating Professor Sansom's report.

The Hon. BEN FRANKLIN: Point of order: The witness was answering the question that was asked. The member keeps interrupting her and asking another question and making another comment. It would be appropriate that he allows the witness to finish her answer before he continues.

CHAIR: Mr Shoebridge is aware that if he asks a question he should allow the witness to answer it.

Ms DOHENY: Professor Sansom's panel put forward recommendations that ranged right across almost every area of operations of council, including some recommendations in relation to structural reform, and it said that councils should provide an evidence-based submission, an evidence-based response, to that work on structural reform using the panel's recommendations as a starting position. That is what the Fit for the Future process has entailed, using it as a starting position. Councils have been able to look at how they have been working, assessing themselves against the criteria of asset management, financial management, efficiency and scale and capacity, and provide those submissions to IPART to enable IPART to make the decisions. The proposals that came out of the panel's work were a starting position and that is what councils were asked to use as a basis for their starting position for their Fit for the Future submissions.

Mr DAVID SHOEBRIDGE: Professor Sansom never recommended IPART, did he? Nor did anyone in the panel even mention IPART as being anything like an appropriate vehicle to assess councils' fitness?

Mr ORR: In terms of the way in which the Government responded, there was a view of an expert panel which was going to look at—

Mr DAVID SHOEBRIDGE: I am not asking about the Government's response. I am asking about Professor Sansom's report and the panel's report, not the Government's response. Mr Orr, you know that.

Mr ORR: Mr Sansom put forward a view in terms of how it would actually happen. The Government took a slightly different position but consistent with what Ms Doheny has just said, the view was that here is a set of recommendations which have been developed in consultation with the sector over a long period of time, now individual councils should have a look at those and come back with their proposals based on those recommendations as a starting point. They need to be assessed and the view was IPART have significant expertise, they have got local government expertise, they are involved in the whole rate capping process so they have expertise, they have capacity and the view was that they would be an appropriate body. As I was saying earlier, in terms of the terms of reference—how is this actually going to be done—they were developed very closely with the sector. So the ministerial advisory group was intimately involved in developing those terms of reference.

Mr DAVID SHOEBRIDGE: Did any stakeholder on the ministerial advisory group support IPART as the body to assess fitness or not?

Ms DOHENY: I know that when IPART was appointed Local Government NSW did support the appointment of IPART as the expert panel. The other point on the appointment of IPART was the addition of John Comrie. In addition to IPART's local government expertise John Comrie was appointed to provide additional expertise in local government.

CHAIR: I note that as we travelled out one of the major structures of the Fit for the Future program was whether a council was basically financially sustainable. I will put on the record that many rural councils said that a lot of the national gross domestic product is collected out in their areas, whether it is from food, mining or pastoral industries, and they do not get a fair return of that income back to their communities. If they did they would probably be far more sustainable. That is very poignant for them given that they are trying to manage their roads on a reduced amount of rates. It is a fairly true point that if they had some fair return of funds they would have been able to manage their area even better. Even though I understand that it was template number 3 it was a valid point that they put across.

Ms DOHENY: The Committee will be aware of the financial assistance grants that are currently provided to all councils in the State.

CHAIR: The ones that are frozen?

Ms DOHENY: One of the recommendations that is currently being developed is to look at how those financial assistance grants can be redirected to some of those council areas that you are referring to that are in the most need and away from councils that need them less.

CHAIR: In earlier evidence some of the city councils said that they would waive some of their Federal assistance grants to their rural friends—

Mr DAVID SHOEBRIDGE: Provided they were relieved of rate capping.

CHAIR: Provided there were other measures. I do note that, but that comes in line with a lot of other cost shifting hindrances such as section 88 or regional roads that were handed overnight to people who did not even have the rate base to look after those roads. There are some initiatives that we can come back to, but we would welcome the idea of the Federal assistance grants being moved across to those more needy rural councils in the total context of giving some other relief to our metro and city councils that need it.

Ms DOHENY: Just further to that, I think the joint organisations will also provide another vehicle for those rural and regional areas to get together and advocate better and be stronger advocates to protect their positions and also to communicate better with State government agencies so that those decisions are not made without proper input from the councils. If they are together in the joint organisations they can be stronger and better advocates for their positions in the future.

CHAIR: Dare I say it will need to be divine intervention for the State and Federal governments to get their hands off their coffers and give them their fair share.

The Hon. LOU AMATO: Regarding the Fit for the Future ratio drive, can you explain how they were developed and why they were chosen?

Mr ORR: The Fit for the Future ratios—putting aside the question of scale and capacity—were developed based on the work which Treasury Corporation did. Treasury Corporation undertook the largest ever financial assessment of the local government sector back in 2013. They used a series of ratios to determine what is a financially sustainable council. As well as that the Office of Local Government undertook its own infrastructure audit around about the same time looking at the way in which councils are going about the management of their infrastructure, keeping in mind the significant asset which councils have under their stewardship. So there was the work which was done there.

We worked based on that information. We also involved other parties in terms of the development of the Fit for the Future ratios. We involved KPMG. Once all that was done we asked IPART to have a look at the ratios which we initially came up with. IPART made a number of comments. Probably the most significant change or inclusion which IPART made was the inclusion of a debt service ratio. Debt service really is all about the way in which councils largely fund their infrastructure or can fund infrastructure. IPART put forward a view effectively that funding of infrastructure is important and the use of debt to do that consistent with the Government's Local Infrastructure Renewal Scheme [LIRS] initiative is really quite important. We went through and sought IPART's perspectives in terms of those ratios. We ended up with seven ratios—a series of ratios about financial sustainability, a series of ratios regarding services and infrastructure and then a ratio about efficiency.

The Hon. LOU AMATO: It was quite intensive.

Mr ORR: Yes.

The Hon. BEN FRANKLIN: Sticking on the process for a moment, could you perhaps for the record outline the Fit for the Future timetable that you implemented including the information and support that you provided to councils along the way?

Ms DOHENY: You might recall that these reforms go right back to 2011 when Destination 2036 met in Dubbo. The purpose of Destination 2036 was to consider how communities, economies and technologies might change over the next 25 years and how the local government sector might be able to meet those challenges. Following Destination 2036 the Local Government Association and Shires Association wrote to the then Minister for Local Government asking for a comprehensive review to be undertaken into the sector. In April 2012, as you are aware, Professor Sansom, Jude Munro and Glenn Inglis were appointed as the independent panel.

The panel was informed by a range of commissioned and existing research, including two reviews that had formed part of the Destination 2036 action plan. They were the TCorp review, which the Committee has heard about, which showed that a third of councils were in a weak or very weak financial position, and also the assessment of the infrastructure backlog of all of the councils, which was commissioned by the Office of Local Government. Again that report showed a very large infrastructure backlog across the State to the value of \$5.6 billion. The panel's work was conducted over 18 months and involved the issue of three discussion papers and comprehensive consultation with communities and councils. If I can just read out the full consultation program because it is important. There has been discussion about communities not being involved enough in the process and I would like to go into this in a little bit of detail.

Stage one was July to October 2012. The consultation paper called "Strengthening Your Community" was released. There was a listening tour where visits to 18 locations across New South Wales were made and community meetings were held. There were also meetings with local government stakeholders, State government agencies and members of the community and 221 council and public submissions were received. Stage two was between November 2012 to March 2013. Another discussion paper called "Better, Stronger Local Government—The Case for Sustainable Change" was released. Again there were visits to all regional organisations of councils and 10 roundtable discussions with councils, local government stakeholders, business groups and New South Wales Government agencies. There were also meetings with members of Parliament about that paper and an online survey with 157 council and public submissions received.

Stage three of the four stages was April to June 2013. The options papers "Future Directions for Local Government—20 Essential Steps" and "Strengthening NSW Remote Communities" were both released. There

were visits to 29 locations to hold 63 meetings with councils and communities. There were meetings with a wide range of stakeholders and over 1,400 council and public submissions were received in response to those papers. The final stage was from July to October 2013. There were follow-up visits to councils and regions and meetings with stakeholders. Opinion polling was released and two roundtable discussions on specific issues were held with local government representatives. The governance working party was convened to explore options which were later advanced in the future directions paper and a number of supplementary reports and submissions were received.

That is the consultation process that the independent panel went through in order to develop its paper. In the end it said that we are of one mind in concluding that wide-ranging and concerted action is essential to make New South Wales local government sustainable and fit for purpose to the mid twenty-first century. I have mentioned the fact that the panel looked at almost every area of council operations and it made 65 recommendations ranging across a wide area of governance, workforce capability, leadership, finances, infrastructure, asset management structure and the legislative framework that councils work with. Only a few of those recommendations related to boundary changes but the focus of the recommendations related to strategic capacity, the need for councils to be able to plan effectively for the future, to advocate and negotiate on behalf of communities and to play a stronger role in the wider system of government.

Then you have heard about the process whereby councils were asked to put forward their submissions in relation to the key criteria. To support the councils in doing that the Office of Local Government made available considerable resources and support. The Government made available \$258 million to support voluntary mergers. Relationship managers from the Office of Local Government were appointed to each region to support councils in developing their submissions. The Office of Local Government conducted workshops for councils right across the State where more than 650 people attended the workshops. A panel of expert advisers was also made available to assist councils to conduct their Fit for the Future analyses, to consult communities and to prepare submissions.

In addition to that work, the Government convened the ministerial advisory group [MAG], consisting of Local Government NSW, Local Government Professionals Australia and the United Services Union. It was convened to hear the views of key stakeholders on the direction and implementation of the Fit for the Future process and to provide advice to the Minister. The MAG was involved in preparing the Fit for the Future templates, the terms of reference for the review of the compliance burden and the rating system that will soon be underway. It was also involved in developing the streamlined special rate variation system and the terms of reference for the appointment of the expert panel. The MAG has also been involved in every important element of the reform program.

We all know that the councils prepared their submissions responding to the panel's proposals. Importantly, those submissions are not only about how they respond to the criteria but also about how they will develop as organisations to become stronger in the future. The reform program is currently being implemented with a range of work. Much of the discussion is about structure, mergers, amalgamations, and so on. It is important to note that the whole program of work being undertaken includes the creation of the finance facility, the review of the financial assistance grants program, the rating review, the Independent Pricing and Regulatory Tribunal review into the regulatory burden on councils, the review of the Local Government Act, the joint organisations establishment and pilot programs, the Far West initiative, and the appointment of the Auditor-General—

The Hon. CATHERINE CUSACK: Members would be happy if the witness were willing to table that information.

Ms DOHENY: I have finished.

CHAIR: While the Committee was on the road people raised the issue of cost shifting. It is rather like drought—it does not have boundaries. Amalgamating two councils that have a 15 per cent shortfall on regional roads to full cost recovery is still a 15 per cent shortfall. That is what the Committee is dealing with. It does not matter how much representation is involved or what groups get together to lobby, at the end of the day it is a 15 per cent shortfall in a small budget in rural and regional areas. Amalgamation will not address that issue. It does not matter how big it is, it is still cost shifting. For many councils Fit for the Future is about fixing the finances first and getting the cost-shifting balance right. I say that because I know that it is what many people in rural and regional areas would want me to say.

I am disappointed that the Office of Local Government did not provide those answers to the Committee earlier. We wanted to examine them forensically and to address any issues of concern this afternoon. I hope that the office is not short staffed or under-resourced. I expect government departments to show respect to the Committee by providing answers on time. I hope you take note of that comment.

Ms DOHENY: I again apologise sincerely. It is regrettable that that happened.

CHAIR: As the chief executive you know what is behind it. I am simply expressing the Committee's disappointment. Our agencies should provide the best service. I am not putting anyone down; I simply wanted to give you a right of reply. Do you wish to say anything that we have not covered?

Ms DOHENY: No.

CHAIR: Thank you for appearing before the Committee. You have 21 days to answer the questions you have taken on notice. Members might also wish to ask supplementary questions as a result of this hearing. Thank you for your time and effort in providing those answers.

(The witnesses withdrew)

(The Committee adjourned at 4.04 p.m.)

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