

**REPORT OF PROCEEDINGS BEFORE**

**GENERAL PURPOSE STANDING COMMITTEE NO. 6**

**INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES**

---

**At Cobar and Wagga Wagga on Monday 17 August 2015**

---

**The Committee met at 10.30 a.m.**

---

**PRESENT**

The Hon. P. Green (Chair)

The Hon. L. Amato  
The Hon. R. Borsak  
The Hon. C. Cusack  
The Hon. B. C. Franklin  
The Hon. S. Moselmane  
The Hon P. T. Primrose  
Mr D. M. Shoebridge

# CORRECTED

**TERENCE HOGAN**, Chair, Riverina and Murray Regional Organisation of Councils,

**RAYMOND OSCAR STUBBS**, Executive Officer, Riverina and Murray Regional Organisation of Councils,

**PAUL BRAYBROOKS**, Chair, Riverina and Murray Regional Organisation of Councils, and

**JULIE BRIGGS**, Executive Officer, Riverina and Murray Regional Organisation of Councils, sworn and examined:

**CHAIR:** Good afternoon and thank you for coming along to the inquiry this afternoon. Would anyone like to make an opening statement of not more than three minutes long? If it is lengthy we can table it. Mr Stubbs?

**Mr STUBBS:** The chairman might like to make some initial notes and I will table some notes as well.

**CHAIR:** Okay. Counsellor Hogan.

**Mr HOGAN:** Thank you, Mr Chairman and members of this inquiry for the opportunity to be here this afternoon to put forward some of the concerns that we have as a regional organisation of councils [ROC] with the current model. We are certainly not opposed to change. I have been in local government probably too long. It is 40-something years. I ran into a mate a few months ago and he patted me on the shoulder and said, "Hogan, you haven't woken up yet." This could be my last hoorah, Mr Chairman. I have already mentioned that we have some concerns for the current model. I have listened to the Premier and the Minister espousing the virtues of this model. As one who has been in local government for a long time, I certainly thought that it is long overdue that local government be restructured.

The restructure to my mind must have a positive result and be affordable—in other words, it should not cost a huge amount—otherwise what are we doing it for? The Minister is having some difficulty in selling the Fit for the Future model. If it is going to produce the sort of dividends the Minister has spoken about, where is the business case? Why not take two coastal councils, two city councils and two rural councils and do a sound business case. I am sure it would have proven the point. So why is the Minister or the Office of Local Government reluctant to do that. That to us is a bit of a red flag and we are somewhat concerned. If it was a slam dunk then surely they would have done that.

We have seen the history of amalgamation in both the southern and northern States. I know there is some great benefit—when you are a rural shire with a small population sitting next to a very large city then it is the way to go. But unfortunately we are out in the western part of the State. I know the Mayor of Wagga Wagga is sitting behind me. Rod, we would be delighted to join with you. I am sure your ratepayers and residents would be delighted to pay a bit more to support me out in the bush. What is happening is that we are putting these large rural shires with small population bases together. I really do not think that is a model that can carry local government into the future. We have to think of other things.

Whilst I know that people are counted and numbers are important, I have to say that, having operated out here in a rural area with small populations and large shire areas, there has to be some other formula—and it has to be on a needs basis. If we were to try and survive purely on a population basis, there would not be much of a future for us. Those are the sorts of things that we would like to have input into this model. I am sure the Committee would be aware of the inquiry conducted by Percy Allan in about 2004. The infrastructure backlog was just an enormous—it ran to many billions. In rural and regional Australia we would love to believe that with merging shires or amalgamations—call it what you like—a huge pot of gold is going to be there for our community to build much-needed infrastructure to take us forward. I do not think the pot of gold is there; I am sure it is not. I am happy to answer questions.

**Mr BRAYBROOKS:** Good afternoon and thank you for the opportunity to speak on behalf of the 12 general purpose councils and the two water councils which make up the current membership of the Riverina Eastern Regional Organisation of Councils [REROC]. REROC was originally formed in 1994 with the aim of assisting council members to operate more efficiently and effectively, through working together to achieve economies of scale and scope, and present a better informed and representative voice for its membership. In November 2014 REROC was selected by the Office of Local Government to be a pilot for the joint organisation model. REROC members were willing to be part of the change process, hoping the model would bring benefits

to our councils and to our communities. We are pleased to have been involved in the pilot joint organisation model.

However, as the Fit for the Future process and the pilot joint organisation model have progressed members have become increasingly concerned about some of the issues and the way forward, particularly in relation to the concept of rural councils and the developing joint organisation model. For example, we feel there has been the waste of a golden opportunity to investigate how the concept of the joint organisation and the concept of the rural council could be successfully combined. On the financial sustainability of local government, our members question the appropriateness of some of the financial benchmarks that are being applied to the assessment process. I was glad to note that the Minister acknowledged in his evidence that rural and regional councils are carrying the burden of disproportionate lengths of local and regional roads, and carrying these as assets that must be depreciated—and this significantly undermines the financial viability of many of our members.

Our members found it very puzzling that the debt ratio proposed for the assessment process required councils to have a ratio greater than zero per cent and less than 20 per cent. Therefore, by definition, those that had no debt appeared to have failed on this ratio. It should never be forgotten that rural and regional communities in particular measure their council's performance by the council's ability to deliver the services and facilities that the community considers to be important. These priorities are made clear by the public consultation during forming of the community strategic plan. We often hear the argument that if councils are merged to achieve greater scale, residents must use technology to a greater extent. This argument ignores the fact that for many people living in rural areas internet access continues to be slow and unreliable.

The bottom line is that the REROC membership is firmly of the view that local residents should be the primary decision-maker in determining whether or not an amalgamation should occur. Our members were surprised by the announcement that the Independent Pricing and Regulatory Tribunal [IPART], with the assistance of a single consultant who has local government experience, will be conducting the Fit for the Future assessment. Furthermore, we are concerned that the time frame for IPART to make its report to the Minister is by 16 October.

We feel that the success of REROC is proof of the value of cooperative models for local government. As a result of REROC's success, most of the councils in our region have chosen the option to remain as a council—either rural or otherwise—within the joint organisation. Our members fully appreciate that Fit for the Future is an important milestone in the evolution of local government and are pleased to have taken part in the joint organisation pilot. But we feel the process needs to be allocated appropriate time frames and consideration if it is to achieve the necessary quality outcome. Thank you for the opportunity to speak to the Committee here today.

**CHAIR:** What opportunities do you have to give feedback as part of the joint organisation pilot process? We need to make sure that, if it is going to progress, things which could improve the system are taken back to the Minister so they can be implemented.

**Mrs BRIGGS:** There is ongoing feedback to the Office of Local Government about what is happening with the joint organisation—and I mean really ongoing; fortnightly teleconferences and reasonably regular meetings with the Office of Local Government. The Office of Local Government's commitment to the joint organisation process has been very strong. I think one of our concerns, however, has been that there will be a model for the joint organisation process going out in September—before the joint organisation pilot process has ended. That will inform the legislation for joint organisations. The Office of Local Government has advised that it will take the evaluations from the joint organisations pilot, which will be completed in December, and plug that into the models it has developed and fine-tune them. So that has been a bit of a concern. But there has been ongoing feedback.

**Mr HOGAN:** The Riverina and Murray Regional Organisation of Councils [RAMROC] is made up of 18 councils with a population of 165,000. The independent committee has recommended that there be three joint organisations in our area. We are trying to follow the logic where 152 councils is too many and yet when it comes to joint organisations we need three where we currently have one regional organisation of councils.

**CHAIR:** Just to clarify, are you saying they are trying to divide the RAMROC area into three joint regional organisations?

## CORRECTED

**Mr HOGAN:** Yes, that is it.

**CHAIR:** That is new information.

**Mr STUBBS:** The RAMROC councils place great store in the value of regional organisations of councils and indeed are very supportive of the joint organisation model. We have had problems with splitting the remaining RAMROC into three joint organisations, and on top of that moving Balranald and Wentworth out into the Western region—so effectively splitting it into four different areas. We have done a lot of work on what would be the best model for our joint organisation. We have a preferred position, which is attached to the notes we have tabled today. Within the Riverina Murray region department of planning boundaries, which are used as the criteria, there should in fact be two joint organisations—the Riverina joint organisation, which is currently subject to the pilot, and what we call a Murray-Murrumbidgee joint organisation, which would have 14 councils and provision for associate membership. So the Riverina joint organisation and the Murray-Murrumbidgee joint organisation would each have basically the same population of about 145,000.

**CHAIR:** What is the feeling of RAMROC members about the idea of splitting up RAMROC? In Destination 2036 it was very clear that most people want to operate under regional organisations of councils. I understand the joint organisation model. Could you help me to understand what the feeling is about splitting the regional organisations of councils?

**Mr HOGAN:** Obviously our people are not happy about that. Within RAMROC we have quarterly meetings with the general managers, which have been going on for a number of years now, and quarterly meetings for the engineering groups and other associated people within our region. So when we put the two regional organisations of councils together, RAMOC was part of Riverina and Murray, there was a bit of apprehension. The general managers sort of eyed one another off and said, "Can we put the two regional organisations of councils together?" We went through a honeymoon period and we ended up marrying some years ago. So we are now one happy family. We are doing some good things as a regional organisation of councils so we are happy to call it a joint organisation.

**Mr DAVID SHOEBRIDGE:** They were not living in sin, Mr Chair.

**CHAIR:** I am relieved to hear.

**Mr HOGAN:** So am I as the chairman.

**The Hon. SHAOQUETT MOSELMANE:** The Minister earlier talked of genuine partnership. Do you think that the process has been a genuine partnership with local government?

**Mr HOGAN:** I did swear on the *Bible*. I could not honestly say. In a lot of consultation—not only by State but also by Federal Government—we have found that they come, they address us, they talk to us and we provide feedback. I am hoping that they are listening. But they do not take back some of the suggestions and advice that we think is sound and would make our life a little easier. Local government is not the only guilty party, but it is something that people talk about.

**The Hon. SHAOQUETT MOSELMANE:** Are you saying that the Minister is not listening?

**Mr HOGAN:** I do not know whether it is him or his office. We have made what we thought were pretty good suggestions and he knocked them back. I am sure that in a closer collaboration—even with Fit for the Future—there are things that we could work on to make it a damn sight better.

**Mr BRAYBROOKS:** Our experience with the JO has really been quite positive. It was an interesting choice that, I think, four of the five pilot JOs were successful ROCs anyway. In other words, they were used to working together. They were almost designed to succeed. I do not mean to disparage anybody, but that is the reality. Having said that, we have found that the OLG is prepared to listen to quite a lot of things. The Minister has always been supportive of the JO function. Yes, generally, the JO has been a good experience for the Riverina JO.

**Mrs BRIGGS:** In the Fit for the Future context, I think the problem with the consultation is that a lot of stuff has been a bit rushed. The draft methodology from IPART came out late for a variety of reasons—one being, I think, the selection—and there was a very small window of opportunity for consultation. IPART was

## CORRECTED

here on 25 May to consult. Then we had to have our submission in a number of days after that. IPART had all of a week to look at the submissions before they brought out the final methodology. So I think there are some issues around timeframes with this process. That may have undermined our thinking around whether the consultations have been truly genuine. We have been thinking, "How much time do you have to think about what we are saying in our submission if you have less than a week to read everything?"

The same could be said about this whole assessment process that IPART is doing now. We worked out that they had less than three hours to read every submission. Councillors feel as if their lives as councillors are hanging in the balance. Is three hours enough time to really consider that? I know there are multiple people working on it and that there will be systems in place to make it happen. When we had the consultation here on 25 May, IPART was great. They said, "Give us as much information as you need. Do not hold back; tell us what you think we need to know." But if we tell them what they need to know can they read it, comprehend it and judge it in three hours? I am not sure. There may have been a bit of a mismatch between time frames and what might be a reasonable consultation.

**Mr HOGAN:** The classic example in our case was the encouragement by the Office of Local Government—and, I assume the Minister—to do these business plans. In our area we have councils that have already conducted their own business plans. They did not find the pot of gold.

**CHAIR:** The feedback that we have received is that you can only cut to the bone so much in local government and then there is no more cash. Then you have to start taking it from jobs.

**The Hon. PETER PRIMROSE:** Every submission that we have received contains valuable information. I wanted to put that on record. I found both your submissions to be excellent, so thank you very much.

**Mr HOGAN:** Thank you.

**The Hon. PETER PRIMROSE:** I have two questions. In your submission you say:

Our members argue that most of the money that the State claims local government is "losing" every day is, in reality, the depreciation on the road network and not actual expenditure on services and facilities.

Could you expand on that, please?

**Mrs BRIGGS:** We have not done the maths, but when I speak to most of my councillors and I ask, "What is depreciation doing to you?" they say that depreciation is pushing them into the red every time. If I ask, "If I took depreciation out, where would your council be?" they say, "It would be in the black." If you want I can get the numbers for you. There is an ongoing dilemma for councils. We have 14,500 kilometres of local roads in our region and 1,500 kilometres of regional roads. They are sitting there and depreciating. Are they really an asset? We cannot sell them. They are not like public buildings. If you had to you could sell a public building.

**The Hon. ROBERT BORSAK:** You could sell them.

**CHAIR:** You could lease them.

**Mr DAVID SHOEBRIDGE:** The great Wagga turnpike.

**The Hon. PETER PRIMROSE:** Is it fair to say that local government is losing \$1 million a day, and that is why the mergers et cetera should go ahead?

**Mrs BRIGGS:** We would say that, no, it is not a fair representation of the operation of local government.

**CHAIR:** Could you do some case scenarios for REROC and RAMROC on the situation without the depreciation. I would be very interested to get a snapshot of the situation without depreciation. That would be very helpful.

**The Hon. PETER PRIMROSE:** I only have two minutes left so you may want to take my question on notice. Again, I would ask that you elaborate. I will read from page six about the boundaries commission. You say:

## CORRECTED

The Boundaries Commission remains a critically important element in local government reform, because it will always deliver an independent and evidence based assessment of merger proposals. It will also provide the opportunity for the IPART performance measures and benchmarks to be further analysed as one component of a much wider merger investigation process.

How important do you believe having a strong and continuing Boundaries Commission process is?

**Mr STUBBS:** I think it is critically important to have the Boundaries Commission do that independent assessment. The fear amongst our councils is that in New South Wales we may follow the Victorian model that was introduced by Geoff Kennett in the nineties, of simply legislating for a widespread reduction of councils. There are some positives for that but there are some pretty negative stories associated with that, as well. I am a ratepayer and resident of one of those Victorian shires that suffered. We believe that there should not be legislation. The Boundaries Commission process will be lengthy. I think it can be beefed up, but it does provide an independent assessment. Then people and communities will have confidence that there has been a real, fair dinkum appraisal.

**Mr BRAYBROOKS:** That sounds reasonable.

**The Hon. SHAOQUETT MOSELMANE:** I will be quick, given the time. I note that you indicated that there are different models. Can you elaborate on what the best model or formula is for each of the councils in New South Wales?

**Mr HOGAN:** No. I am just making my judgement on this one and how it could be improved fairly dramatically. One of the issues is that there is no recurrent funding. We are getting all this money to go to a wedding but there is nothing for the honeymoon. One of the problems is that this did not address resources—funding—for local government, going forward.

**The Hon. ROBERT BORSAK:** It sounds a bit like *Dimboola*, does it not?

**Mr STUBBS:** We believe that the Fit for the Future process has been good in that councils have examined their operations tremendously, but it does not get to the fundamental core. The fundamental core is: How should the three levels of government be adequately financed? We need to have a tripartite agreement. Commonwealth came in in the early seventies—back in the Whitlam government days—and in the early nineties I think we were running at about two per cent. It is now running at about 0.47 per cent. Those issues really need to be addressed as part of the reform of Federation, because Fit for the Future will perhaps have some advantages, but it does not get to the core problem.

**The Hon. ROBERT BORSAK:** Generally speaking I have only heard pretty positive statements coming from local government areas that participate in the ROCs. I am hearing the same from these two groups, as well. Could you explain why you think the Government should now be looking at joint organisations when there is a model that is working pretty well. Is it smoke and mirrors or is the Government getting away from addressing the fundamental, long-term issues that you are dealing with? Why fix what is not broken?

**Mr BRAYBROOKS:** Coming from a pilot JO, I would say that the major difference between the JO and the ROC—we have been a ROC since 1994 so we have been around a while—is that there has been a much more direct involvement of discussion and, to some extent, decision-making with regional State Government departments. I would hope that that will bring forth some extra benefit to the regional organisation. Obviously we have only been doing this for six months. There have been some positive trends but I have seen no positive outputs, as yet. We definitely have had the benefit of talking to regional people—senior bureaucrats—with respect to water and planning. As such, I think this liaison will have some positive benefits.

**The Hon. ROBERT BORSAK:** I agree with you, but should that not have been happening already, as a ROC?

**Mr BRAYBROOKS:** It would have been nice if it had, then we would not need to have a JO. But the simple fact is that the JO has given us the structure. In our case we work directly with the Department of Premier and Cabinet. We get the Department of Premier and Cabinet to invite the senior bureaucrats to take part, so they obviously come.

**Mr DAVID SHOEBRIDGE:** That sounds like a restructuring of State Government rather than ROCs.

## CORRECTED

**Mr STUBBS:** Certainly that is right. For many years, ROCs have been trying to get State Government to engage—unsuccessfully. Quite frankly, I do not think some of the State Government people have been too interesting in engaging. Community strategic planning was one of those things where some of our councils simply could not get the State agencies to be involved. Recently it is very encouraging that, under the regional leadership networks, we are having some really good engagement with State agencies. That is probably one of the fundamentally good things that are going to come about with respect to JOs. We should not have to change the model but we have no problem with JOs because they will be structured. They will be flexible but fairly uniform. Above all, they will start to build that bridge between local government and State government that has been missing for so long.

**The Hon. ROBERT BORSAK:** Why has it taken this long to do it? Is that the only reason there has been a change to the ROCs?

**Mr STUBBS:** State Government, through the Department of Premier and Cabinet, are realising that unless we collaborate with each other at local and State levels we are going to get nowhere. We are going to be poles apart. State Government is driving it. The people in the Department of Premier and Cabinet are really on board now. I think there can be some positive outcomes.

**Mrs BRIGGS:** It would be fair to say that while we function as a ROC, there are ROCs in the State that do not function as well as we do. We have high levels of collaboration, a lot of trust between the member councils and a willingness to give and take. That does not happen in every part of the State. I think the Minister took the view that it would be better to have a fresh start and that a joint organisation would be that fresh start. You would take the elements of the ROCs that really work. I think the fact that they are working with ROCs to test out the joint organisations, is testimony to the fact that they thought ROCs were doing a good thing.

They were looking at how they could take it a little step further and how to use these collaborative mechanisms to bring the State agencies to the table better. JOs will be legislated, which ROCs are not. They will have a legitimacy before State agencies that perhaps ROCs have not had. That will probably increase the level of engagement. And it will perhaps increase the willingness of State agencies to devolve some activities to a regional organisation—or at least to collaborate a lot more.

**The Hon. ROBERT BORSAK:** I would like to live to see that happen.

**Mrs BRIGGS:** If you did not live in hope you would not be in local government, would you?

**Mr DAVID SHOEBRIDGE:** If the joint organisational model is going to be successful it should be legislating for the current successful practice, not reinventing the wheel. It should be looking at what is working and legislating for that.

**Mr STUBBS:** Yes. Let's not fool ourselves; joint organisations are probably going to cost a lot more, and I think REROC is finding this in their pilot—

**Mrs BRIGGS:** Yes.

**Mr STUBBS:** —than what our ROCs are. Our ROC is basically me and a couple of waste coordinators.

**Mr HOGAN:** We are big on staff.

**Mr STUBBS:** Really big on staff. When the previous government was mooted the formation of water and sewerage authorities, we were grappling with that and trying to develop what we could do on an alliance basis to employ a CEO and some specialist staff, as JOs are going to have to do, and that was going to cost a lot more—probably about three or four times more quite frankly.

**Mr DAVID SHOEBRIDGE:** Who is paying for that at the moment?

**Mr STUBBS:** We are hoping that the Minister is going to see the strength of JOs and we are also hoping that we will get some State Government assistance to make sure these things work properly.

## CORRECTED

**Mrs BRIGGS:** REROC, as part of our JO pilot, has been pushing hard that the State Government should be putting some money towards the operation of JOs.

**Mr BRAYBROOKS:** The ongoing.

**Mrs BRIGGS:** Yes, the ongoing.

**Mr DAVID SHOEBRIDGE:** If it is primarily going to be about facilitating that connection with State Government, then the State Government should be paying every bit as much as local government.

**Mrs BRIGGS:** If it is going to be a partnership, it should be a partnership. If you want it to work, everybody should have skin in the game; that means there should be some money there. That is one of the aspects of the JO pilot that has become quite clear to us and one of the things we are pushing hard for.

**Mr DAVID SHOEBRIDGE:** Could I just take you to one other thing. Discussion is happening around the State about rate capping. No doubt many of your local councils are basically paying the maximum they can in all conscious be asked to pay for local services and, as we heard in Cobar, you cannot get blood out of a stone. Would you say that is probably the case for many of your councils?

**Mr STUBBS:** I would think so. I think it is unfortunate that we have had rate capping for 38 years because what it has stopped is an orderly incremental increase that would have been embedded; perhaps rates would have been higher but the councils would have been much more sustainable and not perhaps in a cash-strapped situation.

**Mr DAVID SHOEBRIDGE:** A big one-off deficit?

**Mr STUBBS:** And now it has got to be fixed. We saw that in the Victorian model too. When the new councils were formed we had huge increases, probably because they hadn't—

**Mr DAVID SHOEBRIDGE:** A big indigestible deficit?

**Mr STUBBS:** Yes.

**Mr DAVID SHOEBRIDGE:** A couple of metropolitan Sydney councils said they had capacity within their areas to raise additional funds if rate pegging was gotten rid of. That would see them get off financial assistance grants and see the grants more carefully focused on those regional, rural and some metropolitan councils that really need them. Do you think that kind of two-step package is really a big part of financial sustainability for local councils?

**Mr STUBBS:** I think so. I can think of one of our member councils—several of our member councils have been to their communities and their communities have said, "We can afford to pay more." One of the particular councils I am thinking of has a very low rate base—a council of about 11,000 people—and they have scope. Their community is saying, "Yes, we want to stay on our own and we are prepared to pay more."

**Mr DAVID SHOEBRIDGE:** That mixture of looking at finances—where you can, you raise rates locally; where you cannot, you focus on those State and Federal grants on those areas in need—surely should be done upfront in local government reforming?

**Mr STUBBS:** Yes.

**Mr HOGAN:** And if parking metres do not bring in too much revenue either.

**Mrs BRIGGS:** Can I say one thing? I thought the Minister was talking about—I felt that the special rate variation was like a failure in the system, everybody asking for a special rate variation. But if you ask for a special rate variation you have done a lot of consultation with your community and that community has told you that they want certain services or facilities and they are happy to pay for them. So if you are asking for a special rate variation I do not actually see that as a failure in the system; I see it as a success. You have had this consultation with your community, you have done the numbers, your community supports the numbers that you have done and then you have gone and said, "Right, I have got the support. I have got the numbers. We know what we want to do. We need more money." Is that a failure? I don't think so; I think it is the system working.



## CORRECTED

**CHAIR:** The Committee heard evidence that it was artificially inflating the Fit for the Future methodology.

**The Hon. CATHERINE CUSACK:** I am trying to remember which council said they did not want financial assistance grants. I do not recall that.

**CHAIR:** One of the Sydney councils was happy to give that over to regional and rural areas.

**The Hon. CATHERINE CUSACK:** Mrs Briggs, in relation to the time frames you have talked about, what sort of time frame do you think would be a better option to the one we have at the moment?

**Mr BRAYBROOKS:** Simply—

**The Hon. CATHERINE CUSACK:** I am asking more specifically about the kind of time frame.

**Mr BRAYBROOKS:** We just get this awful feeling that it is being rushed and we feel, as I said in my opening statement, that we would like, because we think this is such an important chance for local government, a little more time to consider. I am not going to say that we need another six months, 12 months or whatever, all I am asking for is quality time to do a quality result.

**The Hon. CATHERINE CUSACK:** I do hear what you are saying in that regard but I suppose—

**Mrs BRIGGS:** I understand that IPART has received something like 1,500 submissions. How do they read our 142 and their 1,500 and get something out by 16 October?

**The Hon. CATHERINE CUSACK:** Can you say roughly what you think would be a more appropriate time frame?

**Mrs BRIGGS:** No.

**Mr BRAYBROOKS:** In a practical sense we have got to be talking several more months to allow that—even if it is just to the end of the year rather than October. It becomes a practical problem. How are they going to digest and actually calculate the ideas that come forward from such a vast number of submissions in such a short time? That is all we are saying.

**Mr STUBBS:** I would like to see the IPART process extended out so that they can do the job properly. I have two points. We did recommend to the Minister that it would be valuable to help IPART to have two very senior local government experienced people in New South Wales added to that committee to help the independent chap from South Australia; unfortunately, that was not accepted. I think they need to do the job properly. In my view they don't need to just do a cross or a tick as to whether you meet the criteria or not. They need that good experience.

**The Hon. CATHERINE CUSACK:** I have got that message.

**Mr STUBBS:** Another six months I would think at least.

**The Hon. CATHERINE CUSACK:** On top of the October?

**Mr STUBBS:** Yes.

**The Hon. CATHERINE CUSACK:** Councillor Hogan, you said that you are not opposed to change.

**Mr HOGAN:** Absolutely, never.

**The Hon. CATHERINE CUSACK:** Do you support any of the changes that have been mooted?

**Mr HOGAN:** I guess I am a believer that the only constant in life is change; it is how much of it you are prepared to accept. I just think there are better ways to create a model. I guess this is a foundation and we can work from that, but there are smarter people than me around the table who could have an input into models

## CORRECTED

such as this. Those who have the capacity to think five, 10, 15 years out and try and accommodate those sorts of changes that we have got going forward.

**The Hon. CATHERINE CUSACK:** Do you have any specific ideas or specific changes that you think would be good?

**Mr HOGAN:** No, not off the top of my head, apart from the recurrent funding and the suggestion I made—for instance, we would not have a doctor if the council had not built a house or a surgery.

**The Hon. CATHERINE CUSACK:** That is a common story.

**Mr HOGAN:** Also there are those funds that are around dollar for dollar—fine if you have got the dollar but if you can't stump up the dollar at your end you can't get the funding. That happens with small populations. To look at local government in a modern era you have got to start looking on a needs basis rather than population because if you are simply held to population the situation you have and your chance of building infrastructure is zero—you are going backwards.

**The Hon. CATHERINE CUSACK:** Everyone around this table would support that.

**Mrs BRIGGS:** I think the fact that the councils in our regions have embraced ROCs and now JOs is an indicator that they are willing to change, to try new ways of doing business, to look at new ways of delivering services, to look for economies of scale and scope by working together. I think the things we have done as ROCs demonstrate that we have got a willingness to try new ways and to stop necessarily doing things in silos.

**The Hon. CATHERINE CUSACK:** Has shared general managers been one of those ideas?

**Mrs BRIGGS:** I don't think the Act allows you to.

**Mr HOGAN:** We have tried it.

**Mrs BRIGGS:** Does the Act allow it?

**Mr HOGAN:** The neighbouring council was not game enough to take the plunge but we have done it on two occasions.

**The Hon. CATHERINE CUSACK:** Or sought to initiate it?

**Mr STUBBS:** Yes.

**The Hon. CATHERINE CUSACK:** An interesting idea.

**The Hon. BEN FRANKLIN:** Could I jump in quickly with one question directly relevant to that? In what areas either in the JO or the ROC that you currently do not share or work together on do you think that could potentially happen in the future?

**Mr STUBBS:** Are you talking about the two ROCs?

**The Hon. BEN FRANKLIN:** The councils within the ROC?

**Mr HOGAN:** We have got to be modest; there is nothing.

**Mrs BRIGGS:** We do things in youth, spatial data, engineering, procurement—

**Mr BRAYBROOKS:** Waste management.

**Mrs BRIGGS:** —and environmental stuff. You would be hard pressed to find an area of local government operation where the ROC did not have an activity that was happening in that space.

**Mr BRAYBROOKS:** Or has investigated and priced.

## CORRECTED

**The Hon. CATHERINE CUSACK:** I ask my next question having gone through this in my own community on the North Coast with libraries, in trying to get a joint service without creating a whole new legal entity that nobody wants—another statutory authority. Are ROCs limited in that regard? Is that something potentially that the joint organisation can address?

**Mrs BRIGGS:** Our ROC is different in that it is already an incorporated organisation, stand-alone.

**Mr BRAYBROOKS:** We can.

**The Hon. CATHERINE CUSACK:** You can undertake those services.

**Mrs BRIGGS:** We can contract in our own right as a ROC. RAMROC is different but REROC can contract in its own right.

**The Hon. CATHERINE CUSACK:** How does the accounting for those services then get reported? Is that through the councils or can the ROC report on behalf of councils?

**Mrs BRIGGS:** I am not quite sure.

**The Hon. CATHERINE CUSACK:** Is it a big red tape issue?

**Mrs BRIGGS:** The ROC has its own accounting arrangements but we actually have Coolamon Shire Council as our banker. We actually run like we would a council but it is an entirely separate entity. Then we have all of the reporting, the auditing and all those kinds of things that happen. But with the ROC we have an annual meeting and annual accounts just like you would expect.

**The Hon. CATHERINE CUSACK:** So the ROC would report to the councils?

**Mr BRAYBROOKS:** It does.

**The Hon. CATHERINE CUSACK:** And then the councils would apportion and that is how they report back to local government?

**Mrs BRIGGS:** How do you mean apportion?

**The Hon. CATHERINE CUSACK:** If the ROC is doing something for everybody then when the councils report back on that activity—

**Mrs BRIGGS:** They take that activity and they report on it. For instance, if we are doing an environmental activity in Temora—and the director at Temora Shire Council says he loves us because we make him look good—the director will report it as though it is his own activity. That is what we encourage councils—we are facilitators, supporters and service delivery people. When we run a project or a program our expectation is that the council will take ownership of it within its own local government area.

**The Hon. CATHERINE CUSACK:** That is terrific. The joint organisation is a pilot program so it is meant to be testing new ideas and creating information for the whole State to share and try to learn from. Do you have any preliminary thoughts about those lessons or valuable insights we might be getting through the joint organisations? Even if it is not a positive insight—for example, if you feel the ROCs do not need them?

**Mr BRAYBROOKS:** I think the first lesson we have learnt is that the more formal structure does have some benefits. The second thing is, as I said earlier, the sheer fact that we are actually liaising directly with regional State Government departments is a benefit and I really do think that—a point that was made earlier—if we had not got the formal structure then odds-on the regional State Government departments would not be talking to us. I think in the broad brush of things they are the main benefits.

**Mrs BRIGGS:** I would have to say though—and I have said this in most places—one of my concerns is with the joint organisation process compared to a regional organisation of councils. The ROC's greatest strength is also its weakness, which is that it is voluntary.

**Mr BRAYBROOKS:** Yes.

## CORRECTED

**Mrs BRIGGS:** One of the things that the Minister is concerned about, JOs are mandatory. You will have to belong to a JO. ROCs are voluntary. Having said that, we have had the same membership for 20 years but my concern is that, once it is mandatory, will people be as magnanimous in their involvement? Councils participate in ROC because they want to participate in ROC and because they want to see it as a success and they want to work together. When it is mandatory, will they have the same level of goodwill? I hope they do, but that is the interesting thing. When you tell somebody they have to do something, even if it is the same thing that they have been doing for 20 years, do they still want to do it as much?

**The Hon. CATHERINE CUSACK:** If your ROC makes a decision, it is not necessarily binding on all the member councils?

**Mr BRAYBROOKS:** No.

**Mrs BRIGGS:** No. We are a consensus-driven organisation.

**The Hon. CATHERINE CUSACK:** That has worked successfully.

**Mr BRAYBROOKS:** That has worked very well for the past 20 years.

**The Hon. CATHERINE CUSACK:** But that is probably not the case for many other ROCs, is it?

**The Hon. BEN FRANKLIN:** As you alluded to before.

**Mr BRAYBROOKS:** No. That is fair comment.

**The Hon. CATHERINE CUSACK:** I know it is not the case in our ROC. I wish it was.

**CHAIR:** That concludes our session. I do know one ROC that some people attended. They all agreed to attend it and then they kept pulling out and pulling out. Then three out of eight were left.

**Mr DAVID SHOEBRIDGE:** Sometimes if only one pulls out, it is not going to work.

**CHAIR:** Yes. It just messes up the whole resource-sharing idea and the ability of getting the advantage. I think there is some merit, whether they are JOs or ROCs, in some buy-in and you are actually good for your word so that everyone can work off the same page.

**Mrs BRIGGS:** The only council we lost was when they announced the JOs and Corowa said, "We won't be in that."

**CHAIR:** Thank you for your evidence, which is very, very helpful. It is good to have the ROCs here because Destination 2036 was all about people wanting to move down this process. It will be very interesting for this inquiry to work how we deal with the ROCs and the JO idea because some would see it as reinventing the wheel. We are yet to get a bit more information about the JOs and the pilot will be finished in approximately December. Hopefully we will get the mix right. If the heart is in communities thriving, one would think the local government Minister will listen very carefully to our report and findings. Thank you for your contribution and safety travel home as well. If you have taken questions on notice, you have 21 days to reply. In addition, some members may put some questions to you within the next 24 hours. The secretariat will assist you.

**(The witnesses withdrew)**

**(Short adjournment)**

# CORRECTED

**ANTHONY McMAHON**, General Manager, Boorowa Council,

**WENDY TUCKERMAN**, Mayor, Boorowa Council,

**ASHLEY HALL**, Deputy Mayor, Deniliquin Council, and

**DESMOND JOHN BILSKE**, General Manager, Deniliquin Council, sworn and examined:

**CHAIR:** Welcome to the inquiry.

**Mr BILSKE:** I note that Deniliquin is a council, not a shire.

**CHAIR:** The Committee hardly ever makes a mistake, so it is a rare moment that we should capture in *Hansard*. They have overlooked the Deniliquin Council. Would someone like to make an opening statement?

**Ms TUCKERMAN:** Yes, thank you. Boorowa Council is a strong rural council that serves a population of approximately 2,600 people, making it one of the smallest councils in New South Wales. We serve a close-knit, proud and passionate community that is highly supportive of its council. During the 2004 round of local government amalgamations, our community rallied against being forced to amalgamate. When others were forced to amalgamate, we were left alone. Our council has chosen to embrace the Fit for the Future process.

Our council recognises the need to change and quite simply wanted to be sitting at the table to design our future rather than have it forced upon us. We were given a choice to explore what reform options were available and what the impact to our community and region would be. We do not want to amalgamate and, given more certainty around our future prospects, would probably not be considering it. However, given the level of exposure that comes from being such a small council and through understanding the opportunities of having increased scale, we acknowledge the need for significant change. Examples of the aforementioned uncertainties are: a lack of human resource redundancy if a position is vacant for a prolonged period and risks associated with attracting quality staff; reliance on external revenue sources which are outside council's control, such as Roads to Recovery, financial assistance grants and State road contract works.

Opportunities we have identified for increased scale include: the ability to undertake larger-value projects that currently are considered financially risky; the ability to better advocate on behalf of our community; greater efficiencies of resources, including reallocated funds they go towards duplication of effort, particularly administratively into on-ground services. Our council has developed an evidence base through a shared consultancy service with Young and Harden that a merger of Boorowa, Harden and Young could provide better outcomes than the status quo. Our community's main concerns around a merger relate to local representation and employment, which we believe are adequately protected under our merger of the three councils.

**CHAIR:** Are there any further comments? Are there no further opening statements?

**Mr HALL:** Just briefly, we know that we are probably in the minority in terms of our thoughts on amalgamations. Our council is 100 per cent behind the Fit for the Future and the recommendations from it. We have to speak specifically of our area. Deniliquin is very unusual. It is 140 square kilometres, very small, but we are surrounded by four neighbouring councils or shires. More predominantly, Conargo has its town offices in our town and its works depot is in our town. We see that there is at least that opportunity to merge with them.

Unfortunately, the Fit for the Future has identified possibly Murray Shire and Conargo to amalgamate with the option of Wakool coming in. We have always been of the opinion that that should be the way to go. Unfortunately, with all the dialogue and meetings that we have had with our neighbouring shires and councils, that consensus has not got very far. But we are here to promote our council, which is 100 per cent behind it. We think there are benefits in the mergers of our councils. Basically that is where we sit. I will take questions from there.

**CHAIR:** Thank you. Other any further opening comments?

## CORRECTED

**Mr BILSKE:** Only in support of that. The first merger proposal for Deniliquin and surrounding councils was 1977. It was actually in front of the boundaries commission at that particular time. We believe that it was actually approved before there was a death that caused the decision to be put aside. There was a merger of Conargo and Windooran in 2001. At that time we believed that Deniliquin should have been included in that amalgamation. Of course, the 2004 amalgamations probably should have been considered at that particular time as well.

**CHAIR:** One of the comments that we have had from previous witnesses is that one of the cost-shifting burdens that rural councils are facing is obviously road infrastructure. Can you comment on, firstly, a lot of rural areas that were given regional roads? Can you tell the inquiry the length of the regional roads that you have, in approximate kilometres? Secondly, one of the comments is that they have been short-changed in State funding in terms of the correct amount for the number of roads that became the responsibility of rural and regional councils. Can you give us a snapshot of your areas?

**Mr McMAHON:** I am happy to answer that question. The Boorowa local government area has a large road network, most of it rural. About 200 kilometres of that road network is sealed and about 600 kilometres is unsealed. All of our regional roads are now sealed. Much of that work was done by council, after responsibility for the roads was handed over to council. The area has around 120 kilometres of regional roads. Council looks after five regional roads.

The funding we receive to look after regional roads is nowhere near adequate. If you were to drive our regional road network at the moment, it would be quite obvious that—as is the case for most of the rural councils in this region—adequate funds are not available to maintain the roads to a satisfactory standard. Some roads verge on being unsafe. The increase in freight loads moving across the regional road network means there is a much greater load than the roads were designed to support. Since responsibility for roads was handed to local government, the freight loads have increased and we cannot adequately maintain those roads.

**CHAIR:** We heard evidence this morning that the closure of rail lines has caused freight to be moved via road. If there is wet weather, the condition of those roads deteriorates. Could you tell the Committee what is the shortfall of full cost recovery for regional roads? How much have you been short-changed, allegedly?

**Mr McMAHON:** I would have to take that question on notice to look at the regional roads specifically.

**CHAIR:** That is fine. I would be interested to know.

**Mr McMAHON:** I can provide some figures on the revenue we receive to support regional roads. Our block grant, which is one source of revenue from the State, is approximately \$700,000. On top of that we get approximately \$125,000 through the REPAIR program. That is not a guaranteed allocation to councils. It is determined across the region and we work across the region to decide how that is split up. For us, the funding is not nearly enough. We probably spend half to three-quarters of that on maintenance. We struggle to fund the renewals that are required each year. I will find the exact figures for you.

**CHAIR:** Take it on notice. Would anyone else like to comment?

**Mr BILSKE:** One thing that benefits councils with large road networks is that when a natural disaster occurs councils get funding to renew the assets that are damaged. The funding that is available in a capital program for that year generally gets invested in the program for the next year or the following years. So, in a sense, natural disasters result in some benefit for councils. Deniliquin has a small regional road network, but within the region there is a larger amount of either state highway or regional roads. I can supply figures for the region.

**CHAIR:** Yes; please take that on notice.

**The Hon. SHAOQUETT MOSELMANE:** Councillor Hall, you have indicated that your council is 100 per cent behind Fit for the Future. A survey conducted by Micromex Research and Consulting shows that 85 per cent of people support the standalone option. Does your community support your decision 100 per cent?

**Mr HALL:** We believe so. We have had public consultation meetings. Unfortunately, a limited number of people attended.

**The Hon. SHAOQUETT MOSELMANE:** How many people?

**Mr HALL:** Three people attended.

**The Hon. SHAOQUETT MOSELMANE:** That was the consultation.

**Mr HALL:** That could indicate that people are not interested in Fit for the Future, but, as many councillors do, we talk to people on a one-to-one basis and we have found that most people are supportive of it. Our geographical layout is very pronounced and that influences what we think should happen with our region. We have a regional focus, rather than looking at Deniliquin as a standalone area. We can see benefits in that, including political clout that could help us in the future.

**Mr BILSKE:** One reason we are supportive of Fit for the Future is that, when we introduced our integrated planning and reporting framework, one of the main criteria for the community strategic plan was the merger of councils regionally. That was seen as one of the best ways to provide the required services across the region. The four priorities in the community strategic plan were police, health, education and the merger of councils.

**The Hon. SHAOQUETT MOSELMANE:** Councillor Tuckerman, you indicated in your opening remarks that you were given choices. Could you elaborate the choices that you now have?

**Ms TUCKERMAN:** The choices are in being able to determine our future, rather than someone forcing a merger on us. When we spoke with neighbouring councils about how to tackle Fit for the Future, we decided that we needed to know the answers to the questions associated with those choices. The choices are: standalone councils, merged administration or merging the three councils. We wanted to make sure that we had the information to take to our community, to be able to answer any questions that they had on those three choices.

**The Hon. SHAOQUETT MOSELMANE:** And you decided to merge the three councils?

**Ms TUCKERMAN:** Our council has decided to merge with Harden and Young, which is the three-council option. We consulted with our community, and there was a fair amount of community representation at those meetings. We also invited community submissions on what they thought was the best option for council. The community was very supportive of our council and of our presentation to them of the options.

**The Hon. SHAOQUETT MOSELMANE:** That is a big change from 2004, when there were rallies, to now having complete compliance.

**Ms TUCKERMAN:** Absolutely. The difference was in making information available to the community about what the merger would mean.

**The Hon. SHAOQUETT MOSELMANE:** Thank you.

**The Hon. PETER PRIMROSE:** The Boorowa Council submission, on the second page, says:

... the sector is disheartened when statements are made about Local Government losing \$1 million a day which is predominantly based on accounting treatments of depreciation.

Would you like to comment on that?

**Mr McMAHON:** I am very happy to comment on that. Take Boorowa Council as an example. In the last financial year, council made an operating profit of \$1.33 million. But if you take out capital grants, which we are required to do, council made a loss of \$524,000. If we were to take out the impact of depreciation, we would make a \$2.472 million profit. Councils across the State treat depreciation differently. As an example, at Boorowa Council we depreciate our roads over a shorter life span than neighbouring councils do. We have done some modelling to compare what the impact would be on our operating results if we depreciated our assets in a similar way to our neighbours. There would be a \$180,000 positive difference to our operating result just by doing that.

## CORRECTED

Depreciation is not having a cash impact. It is not draining money from our financial reserves. It is more a representation of what we perhaps should be spending if we want to keep providing services to our community at the level that we have decided to set them. If we doubled the useful life of our roads and depreciated them over a longer period, we would have a positive operating result. We would not be losing money. But in the long term the level of service those roads provided to our community would decline as a natural consequence of that.

**The Hon. PETER PRIMROSE:** You used the word "disheartened" in your submission. What do you mean by that?

**Mr McMAHON:** I do not think it is a true and fair representation of how local government manages the assets that it owns and operates on behalf of the community. It could be considered stereotyping to lump all councils under the one figure. I agree that some councils do not have the same level of understanding of their asset base and what levels of service they are providing from those assets. In some cases councils have probably overstated the level of service they expect to provide from their assets. In other words, they say that they will renew their roads every 25 years when perhaps they should do it over 75 years. I guess that justifies the statement that councils are losing money. But in reality we are not losing cash; we are depreciating our assets over too short a period of time.

**The Hon. PETER PRIMROSE:** You may wish to take this question on notice. In the next paragraph of your submission you state:

Unless alternate, equitable and reliable revenue streams are developed, the structural arrangement of Councils is irrelevant and the long term sustainability of the sector will continue to decline.

Could you expand on that?

**Mr McMAHON:** Yes. That refers to a combination of factors. One of them, which I heard discussed earlier, is the inequity of where sources of funding other than those generated within local government go. Federal assistance grants are an example. It is questionable whether all councils across the country need Federal support to provide services to their community to the same extent that some of the larger metropolitan councils do.

Another factor is the arrangement for increasing rates above a peg. At the moment, the peg is set lower than the amount our wages and the construction cost index increase by each year. That limits our ability to stay on a flat line, let alone to improve what we are doing. For a small rural council like Boorowa that manages a lot of roads—and most of what we do is roads based—that construction cost index drives our cost base. Unless we can devise a system where we can generate revenue increases that offset our expense increases, we will continue to decline.

I know that there has been discussion about the special rate variation process. We certainly do not want to gouge funds out of our community, but for us the process of applying for a special rate variation would almost offset the additional income it would generate, even if it were a significant increase. Our general income from rates is about \$2 million a year. Most councils that have been through a special rate variation would say that the \$200,000 cost of that process is not unreasonable. We would have to put in place a 10 per cent rate increase to offset the cost of going through that process.

**Mr DAVID SHOEBRIDGE:** Thank you all for coming. Do you think the Fit for the Future process that you have been going through is going to effectively lead to a change in local government structure in your area or do you think that the fact that it is so hard to bring along all your neighbours in the process the Government has set out you may not get there?

**Mr HALL:** It is a difficult road ahead; there is no question about that on our behalf. As I said before, we are in the minority. We had some very good, strong dialogue. We sat down at our case studies and had meetings with our neighbouring councils. Everybody can see some benefits but, unfortunately, each individual council—you have got a general manager and you have got individual councillors who have been there for some time; they have all got individual thoughts on it and I just cannot see it ever happening on a voluntary basis. I think, unfortunately, we are going to have to see the Minister go through the hard yards and we might have to take one step back to go two steps forward.



## CORRECTED

**Mr DAVID SHOEBRIDGE:** In terms of your submission, Mr Bilske, you said it was not endorsed by council at the time it was done. Has it been endorsed by council now?

**Mr BILSKE:** Yes, the council has approved the submission.

**Mr DAVID SHOEBRIDGE:** What about your position, do you think this process is going to achieve something?

**Ms TUCKERMAN:** We have been in dialogue with our neighbours for nearly two years now in regards to local government reform, and that dialogue, although it had a few bumps in the road, certainly our larger neighbouring council, Young, have agreed that merging is the best option. Harden were involved in the business case with the consultants and were a partner in the whole dialogue.

**Mr DAVID SHOEBRIDGE:** They are now looking to Cootamundra.

**Ms TUCKERMAN:** And now, at the twelfth hour, they have decided that their better option is Cootamundra. That has certainly left us in a bit of a dilemma as to where we go now. In regards to what a merger would look like for our region in local government, we always looked at our region as being in a gap. We had the bigger Wagga, Queanbeyan, Orange centres and we are always in an area where we were not identified one way or the other, and that was one of the discussions we had, that we wanted to change that, that we wanted to become a region of significance.

We currently have what is called the Hilltops region where the three councils, with local producers, have got together to identify a particular wine region and we wanted to build on that. That has been something that has been happening for quite some time. So it was always our focus to make our region of significance and for it to have some weight in regards to the political sphere. That is why we sat down and discussed these options.

**The Hon. ROBERT BORSAK:** In his presentation the Minister—and you probably heard him say it on a number of occasions, almost to the point of boredom—was characterising the opposition to the amalgamation process as being self-interested and selfish. Do you think that criticism is fair?

**Mr McMAHON:** I am happy to have a go. From my perspective I think it is partially true.

**The Hon. ROBERT BORSAK:** So you are self-interested and selfish—or your council is?

**Mr McMAHON:** Well, we are not opposed to it. We are not opposed to amalgamations; we have supported amalgamations. But my observation is that there are—I am probably as qualified as anyone to say this—there are some people that have been in the local government sector for a very long time and whether they are focused on what the best outcomes for the future of their communities are or whether they are focused on the here and now may be questionable. I am certainly not saying that everyone fits into that category but from what I have heard and observed throughout the industry I think there is enough of that to justify that statement partially.

**Mr BILSKE:** I would make a comment on that. In the most recent correspondence to the Minister I said it is best reflected in the quote from Albert Einstein which states as follows: We cannot solve problems by using the same kind of thinking we used when we created it—and perhaps this is a reflection that the majority find it too hard to make a decision objectively when it impacts on their personal status as either employees or elected members.

**The Hon. ROBERT BORSAK:** So, generally speaking, you are of the view that the process is valuable in terms of examining and re-examining the processes of councils or local government areas. Is that true?

**Mr BILSKE:** It has been a significant benefit being able to do that. I have only been in Deniliquin for four years. When I first went in there Deniliquin was in a poor financial position. I went ahead and made some reductions in staffing to ensure that we would shore up some of the financial abilities, but the process of going through the Fit for the Future analysis has helped me identify even better things available through the council's process.

**Mr McMAHON:** If I can add to that? From a personal perspective, it has been quite an odd experience going through this Fit for the Future process where I have effectively been writing myself out of a job and I think that is a difficult thing to do. I know that other people may not take that so well; it is not necessarily an easy thing to put the interests of your community—if you have not lived there a long time you may not necessarily be attached to it—but to put the interests of your community ahead of your own interests I think certainly people would find challenging. I know I have.

**Mr HALL:** Can I make one quick comment? Particularly rural councils in our area, there is no political reference to it at all. We are very much of an independent nature, which I think should be local government and that the grassroots decisions are made by grassroots people. But I do concur that there are a lot of councillors who have been in the seat for a long, long time and they are fairly passionate about the fact that they do not like change.

**The Hon. LOU AMATO:** My question relates to both councils. Why do you think more councils have not agreed to merge voluntarily? I know in your case, Boorowa council, you undertook a merger business case. Why do you think that did not work out? It was back in 2004. I realise it is not the same now, but why did it not work out back then?

**Ms TUCKERMAN:** Why did it not work back in 2004? I do not think they actually analysed what an amalgamation meant to the community. It was more the community wanting to be parochial and stay as they are, whereas we took the view, our council, that we needed to understand what that meant, what reform meant and what that would mean to our community. So that was our position, that we would need to get those answers before we went out to the community. Once the community were aware of what those positions were and what it meant, they were quite accepting that change was inevitable and they thought that the way that council was handling the matter was in their best interests.

**Mr McMAHON:** Can I add to that? One of the major changes between 2004 and now, as well, has been the introduction of the integrated planning and reporting framework. From our council's perspective, up until 2012, I think it was, we certainly had very limited information available on our assets and the services that we provide in our community from our assets and what they cost, and as a consequence of the introduction of the integrated planning and reporting process we have undertaken a comprehensive review of what we own and what we provide from that to the point where we were rated as having—I think the scale was strong. We were rated as strong in the infrastructure management assessment that the Government undertook in 2013.

From a TCorp perspective we had a moderate current rating with a negative outlook. So what that tells us is that we have got a pretty good understanding of what we have got and the services we provide from what we have got and things are not looking pretty going into the future. When you can go to the community and you can put numbers and evidence and graphs up in front of them and show them that we either continue doing what we are and we end up over there or we take a different tack, then I think the information has really helped. For us, to add to the point, talking to my staff, as an example, we say to them that "if we stay alone there is a greater risk of you losing your job" because we have only got two options: one is to generate more revenue or cut services and cutting services means jobs are gone, and the alternative is we look to consolidate and do things more efficiently and remove some of the duplication that happens up towards the top end and put that back into on-the-ground services.

**The Hon. LOU AMATO:** Obviously information is a lot better now and you can lay your cards on the table and say, "Look, this is how it really is. Whether you like it or not, this is the way to move forward".

**Mr BILSKE:** Realistically, in discussion with our staff and with the community, they all realise that it is a council that has zero rural area around it. When we were in a rural zone we had sort of a council within our own town boundaries where we used to have two extra ones within the town boundary previously; the adjoining council to the south of us is only 20 minutes away, the one to the west of us is only an hour away.

**The Hon. LOU AMATO:** What are those two again?

**Mr BILSKE:** Murray is to the south of us, Mathoura is 20 minutes away and Wakool is at Moulamein, which is just on an hour away—it is 105 kilometres there—and the Conargo boundary is three kilometres from the Moulamein township. So if we merge with the council it is our township—we are going to be three kilometres away from Moulamein at any rate. When you look at the region and you look at the fact that the communities play sport—and perhaps this is one of the reasons why they do not agree to merge—they are

## CORRECTED

competing with each other on the sporting field all the time and we play sport within associations that cross the border into Victoria. So it is quite a large area and it is interesting that from within our township the Deniliquin community is very supportive of the people in the outlying areas; they are concerned about them being taken over by the larger organisation.

**The Hon. CATHERINE CUSACK:** Mr McMahon, can I just say to you that what you are doing is to your credit; it adds to your credibility and you certainly win a lot of respect. Our family was in the situation 20 years ago and I understand how difficult that is, but I think it is going to place you very well for the future. I think it is a great ethic and achievement. I want to thank you for the comment you made about indexation and rates. I understand that indexation has been linked to the CPI, is that correct, for rate-pegging purposes?

**Mr McMAHON:** Yes. It has been linked to the CPI but also with a reduction on CPI for efficiency gains, and that has continued year after year after year. So the expectation has been that we should be getting more productive every year and, as a consequence of that, we do not need a rate increase of the full CPI—knock a bit off. But it is more in a rural community like ours wages make up the majority of our expenditure and the majority of what we do is that thin anyway. We have got about 55 staff—probably 15 of those are administrative and operational—there is not really much room to cut.

**The Hon. CATHERINE CUSACK:** Basically, thinking it through, for many years CPI was calculated on the price of alcohol, cigarettes, the cost of nappies. It is a personal cost of living index, is it not?

**Mr McMAHON:** Yes.

**The Hon. CATHERINE CUSACK:** Are you aware of any work that has been done that would compare the CPI with the construction index, which I think is probably the most relevant one, and pay rises? Your basket of goods is completely different to a private household.

**Mr McMAHON:** The Institute of Public Works Engineering Australasia, the engineers group that represents local government, are extremely active in doing that research and part of the reason they have been doing that is engineers across the sector have known for a very long time that this is an issue that is affecting us and they do go through and they have got—I am not sure how far back their data goes now, but they have been collecting data for quite a while on what the CPI increases have been relative to construction cost index increases, which take into consideration mainly fuel price increases and labour cost increases.

**The Hon. CATHERINE CUSACK:** We might do some research on that too. It is only recently that the State Government broke its CPI because it got into a disastrous situation with its capital works program.

**Mr BILSKE:** If I could comment on that? The Municipal Association of Victoria run a local government cost index in Victoria; it is quite comparable. In their media release on 24 July they talked about the cost index. I can table that document.

**Document tabled.**

**The Hon. BEN FRANKLIN:** Mayor Tuckerman outlined very effectively, I thought, the advantages of what a larger council could provide her local community. I think you mentioned, Councillor Hall, some political clout but I wonder if you could identify what other significant advantages there would be in having a physically larger council.

**Mr HALL:** We see there are a lot of efficiencies to be gained across the region. The hardest thing with rural councils too is employment and getting good quality people to come and work for your councils. We see that on a regional basis where a bigger council will have a better chance to attract that type of clientele, to get that strong expertise to give you better efficiencies. I am not saying we have got bad staff but there is a lot of duplication across our little region that we think we could be able to see better results in that and that has got to mean financial savings as well. There are planning issues right across the whole scope of our industry and we think there are a lot of efficiencies to be made.

**Mr BILSKE:** One of the advantages, of course, with a larger council is career scope for individual employees. They do have somewhere where they can go within the one organisation, without having to relocate themselves and their whole family if they marry.

## CORRECTED

**CHAIR:** The Hon. Catherine Cusack was right, you are very courageous to talk about your situation and we know, if anything, from spending time in local government, it is not one size fits all and we do not impress upon others what our needs and wishes and desires are for our community. So I do thank you because it is pretty gutsy to come here and go against the flow in terms of the overall picture, which seems to be going one way, in some aspects. So, it is incredibly helpful for us because what you say is so true, the aspect that you shared.

I thank you not only for giving that evidence but also for taking time out of your lives to come and give us a snapshot of your councils. It will be tremendously helpful. You may have taken some questions on notice. You have 21 days to reply to that. The Secretariat will help you, if you need further assistance and some members may want to write further questions in the next 24 hours. So we will also forward those to you. Once again, thank you very much for what you are doing and your commitment.

**(The witnesses withdrew)**

**(Short adjournment)**

# CORRECTED

**ADRIAN DAMIEN BUTLER**, General Manager, Urana Shire Council,

**PATRICK MICHAEL BOURKE**, Mayor, Urana Shire Council, and

**RODNEY JOHN KENDALL**, Mayor, Wagga Wagga City Council, sworn and examined:

**PHILLIP LEONARD PINYON**, General Manager, Wagga Wagga City Council, affirmed and examined:

**CHAIR:** I welcome you to the hearing and thank you for your patience. It is important that we get your evidence. Would anyone like to make an opening statement? If you do, a couple of minutes is okay but if it is longer than that, we are happy for you to table it.

**Mr BOURKE:** As a council, we are appreciative of the chance to present to this inquiry. Council were very pleased to learn that the entire local government reform was the subject of an inquiry. Local government, whether some people realise it or not, plays a very important role in the day-to-day lives of people, and even more so council believes, in rural areas. The roles that the least populated councils play in maintaining and improving assets and services to smaller towns and villages, and providing social capital such as employment and councils buying their own goods and services locally, cannot be understated. We cannot just take it for granted and assume that it will still be the case in larger units of councils.

Rural Australia is in serious decline, from the increases in technology, improvements in cars and roads, increases to farm sizes and tough seasonal conditions at different times. The last thing that these small towns, such as those of Urana Shire need, is to be told that they no longer have their local council. Council's main concerns with the entire process are as outlined in the submission. We consider the Government has, in many ways undertaken a deliberately consultative approach, at least on face value. But this has then been at the detriment of then having time to review proposals once they were materialised after the consultation phase. Council accepts that the reform of local government or any level of government is not an easy task. With that in mind, council urges the Government not to throw away the baby with the bath water. The Council urges that the Government draw breath and not risk losing the enormous goodwill that has been generated and may be jeopardised that has been built up until now. A very cooperative approach shown by state and local government would be appreciated.

We have all done hard work, gone through all the consultation, we have got all the issues on the table, aside from the mergers threat, the Fit for the Future templates have at least given us a consistent base with which to propose methods to further strengthen the financial sustainability of councils. We do have grave concerns that IPART will not be able to effectively take into account the social impacts of removing councils from small towns such as Urana. We are concerned that the Government has not placed enough emphasis on the ability of the joint organisations to assist rural councils to achieve capacity. We have grave concerns that the term "local" has been forgotten about, in an all-consuming desire to make stronger regional councils, to assist the state to deliver into these areas and make the larger towns and regional cities stronger, at the detriment or to further unnecessarily accelerate, the decline of the smaller towns and villages further out. Thank you.

**CHAIR:** Councillor Kendall.

**Mr KENDALL:** Thank you, I will make an opening statement. I have tabled—and you should have copies—of a slightly longer document. I know that Mr Pinyon also wants to say a few words. Good evening, and welcome to Wagga Wagga. I hope you enjoy your short stay here. You have received our submission to this inquiry and we are willing to speak to that submission. I offer this opening statement today. Our council, and regional and rural councils, recognise the need for reform and for continuous improvement. We firmly believe that the current reform is too narrowly focused. The Fit for the Future approach does not address the whole breadth of the reform recommended by the independent panel.

Areas not addressed by Fit for the Future include: Cost shift to local government, both historic and future; the withdrawal of services by other levels of government; reduction of government funding in real terms, for example the current pause in FAGS and reductions in library funding; the need for role clarity between local government and other spheres of government; changing the view of government towards local government to a mature partnership from the current subservient parent-child relationship; and the adoption of a narrow breadth of performance criteria that failed to reflect the wider achievements and strengths of the sector and the sectors' beneficial contribution to the communities in which they serve.

## CORRECTED

We support the formation of joint organisations of councils and submit that they will give scale and capacity to regional and rural councils and additionally, the state will benefit through this collaborative interface. This region, as you have already heard, has a long history of collaborative local government successes that have achieved scale and capacity. These include: The Riverina Regional Library; the Riverina Water County Council and its predecessor, the Southern Riverina County Council; Goldenfields Water County Council and its predecessor, the Northern Riverina County Council; and Riverina Eastern Regional Organisation of Councils [REROC].

Before discussing the narrow breadth of performance criteria, it would be beneficial to recall some of the observations of the Independent Inquiry into the Financial Sustainability of Local Government, May 2006. I quote from the Foreword to that report:

When we ask friends what proportion of the public sector is represented by local government, they invariably guess somewhere between ten and 30 per cent. The truth is that local government accounts for only five per cent of the total size of government in Australia and its own source revenue is an even smaller share.

I will skip a bit. Whilst many of the reforms are supported by local government, it is clear from recent history that many critical areas are still not recognised by state and Federal Government. Those examples include, as I have said: The removal of the FAGS grants that will cost Wagga Wagga City Council \$1.8 million during the freeze on indexation and will have an ongoing impact of about \$1 million per annum, unless there is a one-off adjustment at the end of that period of time; the lack of any progress towards an agreed, defined role of local government and the resulting relationship building that would come from that; the lack of progress on planning reforms; the continuation of service withdrawal by state and Federal Governments; and the continued cost shifting.

Performance criteria should be consistent with the criteria used for other levels of government and should reflect a broader range of measures that will give meaningful data in relation to the whole of community, rather than on local government alone. Thank you.

**CHAIR:** Mr Pinyon, do you wish to have a quick word?

**Mr PINYON:** I will be brief. Wagga Wagga City Council is the largest inland city in New South Wales, with a current population of around 64,000 people and it serves the function of a regional capital to a hinterland of over 160,000 people in our retail catchment area. We have a current growth rate of around about one per cent per annum and a very diverse economy. Our gross regional product exceeds \$31 million. With the permission of the Chair, I will table our most recent economic snapshot, which provides some further relevant context.

**The Hon. CATHERINE CUSACK:** Did you say "million" or "billion"?

**Mr PINYON:** I said billion. Sorry if I said million; I meant to say billion.

**The Hon. CATHERINE CUSACK:** I thought so.

**Mr PINYON:** Council is well equipped to lead and represent our community. It is worth highlighting the relationship and connection that the community has with their local government identity in regional and rural areas as compared with metropolitan areas. In regional and rural areas, this link is much stronger, with individuals in the community relating to and aligning themselves with their local government area. This is in part a result of geography, but emphasises the need to consider amalgamations of councils differently in the bush. For these reasons alone, Wagga Wagga City Council urges caution and careful analysis before the Government commits to amalgamations in regional and rural New South Wales.

Wagga Wagga City Council sees itself as a strong partner for the State Government and has noted a strengthening in the preparedness of State Government departments and agencies to work collaboratively with local government in this region in recent times—that has already been referred to by some other speakers. This partnership has the potential to grow under the joint organisation approach that has been piloted as part of the framework of Fit for the Future. As a partnership, there are mutual benefits that accrue to both partners—that is, local government and the State Government. The State will benefit from JOs through a simplified, streamlined and collaborative interface with local government, and the operational costs of running JOs should therefore be shared by the State and local government.

## CORRECTED

**CHAIR:** In your submission you are quite critical of the time limits of the proposal process. Secondly, you are very critical of the benchmarks, which you also mentioned in your opening statement, particularly of the ratios. Could you address those things?

**Mr KENDALL:** Certainly from our council's point of view we feel that reform should be done, and should be done properly and in the time that is required for that reform to have most effect. I think that is probably one of the reasons why the current reforms are quite narrowly focused and that the greater issues of cost sharing, intergovernmental agreements and so on are not being addressed at this time. They will potentially be addressed in the future, but reform should be holistic. I do not know whether the general manager wants to comment on that.

**Mr PINYON:** Just to refer, if I may, to the table in our submission. What demonstrates the concern and criticism that we have is that the final evaluation criteria by IPART were only announced on 5 June and the submissions had to be in by 30 June. Okay, we had a heads up beforehand as to what they were likely to be and so we did a lot of preliminary work, but that could have changed at the eleventh hour and it was a bit of a rush job.

**CHAIR:** Would you like to quickly address your disappointment about the fundamental assessment of the ratios?

**Mr KENDALL:** There are several aspects of the ratios, including the fact that the measures for local government that are proposed are not the same as the measures that are imposed on other levels of government in themselves. I think we have already touched on the inclusion or non-inclusion of depreciation, for example, in those ratios.

**CHAIR:** With depreciation, do you have some sort of silver bullet there? No-one seems to have that in relation to defining depreciation across New South Wales, because of the different—

**Mr KENDALL:** My understanding is that when the State reports it reports on its cash position for that year; it does not report on depreciation of its assets during that year.

**CHAIR:** So you would like to see the same?

**Mr KENDALL:** It would seem fair that it should be the same. I do not mind which one's changes, but the reporting for one level of government should be the same as for all levels of government. The other thing with the performance ratios is that they do not include capital grants for contributions that are of a recurrent nature, such as Roads to Recovery and RMS regional roads grants. The other issue is the real operating expenditure per capita—the ability to adjust the ratio to include corresponding items of income for one-off items such as natural disaster funding. The ratio gives a misleading result if these adjustments are not made. You should be able to adjust for the income and expenditure to do with those special, one-off events.

**CHAIR:** Urana, it has not been picked up a lot but I know Shoalhaven picked up on it—the whole focus has been financial sustainability, but if you get that wrong you pull out a pillar of the community. The social impact of that is huge. Do you want to reflect on your comments about the social impact side of this Fit for the Future approach?

**Mr BUTLER:** Sure. Urana is probably no stranger to the threats of amalgamation, having been the smallest populated council for a lot of years. But the council really do feel that their main concern is not of self-interest; it is of the interests of their communities. It is all well and good agreeing with the fact that regional government or at least local government needs to be better in the region and we feel that the JOs deliver on that, but certainly it is the council's own view.

I will finish quickly and the mayor might comment, but it is really all about that risk of strengthening. We know that one size does not fit all, but some of the panel's reasoning was around possibly strengthening Corowa. So that would possibly happen, but at what detriment? As the mayor said in his opening statement, the smaller villages are—I will not use the term "fragile", but they rely on the council more than you would in a town of 5,000 or so.

**CHAIR:** Councillor Bourke, do you have anything to add?

**Mr BOURKE:** Just to comment that Urana is located approximately an hour from any major regional centre, so it is quite obvious that you lose a lot of efficiencies with different services, bringing in specialised services. I would like to note on the record that our shire is approximately 3,500 square kilometres, has 1,200 ratepayers and returns about \$120 million gross regional product. We are always going into the numbers. So now we will turn to Blacktown in Sydney, which returns \$10 billion of gross regional product with 335,000 people. It is a return of \$29,000 per person. So the business we conduct in Urana shire is not about population; it is about what we do out there. It is about the industries that we have.

Certainly I think the business of that financial return that we are providing as a region or to the State substantiates grant funding, road funding et cetera. That is part of what I see where these rural areas are probably left out a bit. It is very hard for someone who is not in that predicament to understand, because it is all based on population figures. But when you turn it back into dollars and what you are actually doing in those areas, it gives you a different picture.

**CHAIR:** Mr Pinyon.

**Mr PINYON:** Your question around a silver bullet: I do not believe there is a silver bullet, but I do believe that the role of the Auditor-General in providing some consistency in reporting across local government is a positive step so that you are at least comparing apples with apples. The other question around what other measures there are other than financial ones: I believe that there are other opportunities through things like the New South Wales local government better practice reviews and community surveys which individual councils undertake—and maybe a standard template could be developed across New South Wales so that there could be some consistency. There are other published reports such as things through the NSW Office of Water. Their better practice and performance comparisons for water and sewerage provide some good measures as to how you are stacking up against one another with your performance in those areas.

**CHAIR:** I think they have an incentive, don't they? If you meet the criteria, you get a dividend.

**The Hon. SHAOQUETT MOSELMANE:** I ask a question of both councils, if both councils can answer it. You have both expressed grave concern about the process. You probably heard the Minister say earlier that it has been a genuine partnership process. Have those concerns been expressed to the Minister and his department and can you elaborate on what their responses were?

**Mr BOURKE:** We have not had a problem with the process as such. The 58 items in the process were good. It is more the amalgamation threats. That is coming from the community. It is not a selfish thing. For \$24,000 a year you are not selfish being a mayor in a community, so it is not a money-driven thing. I have asked the Minister at least—IPART give you the tick—to give the councils that they feel that are not fit the respect of coming back to them and telling them why they think they are not fit. Talk to them about how they can improve and go forward, rather than tick and flick. As I say, we are on a very tender basis. We do not need much rocking in the smaller communities to wreck them. So we are hoping that the Minister will come back and give us the respect that we deserve.

**Mr BUTLER:** Just to finish the answer around the Minister, we are quite pleased that we got invited to a meeting in Griffith a few weeks back to discuss our concerns and issues one on one. We did say there were a lot of positives with the process. We will be sending a letter to the Minister outlining the fact that—I will not reiterate—it is good they have made all the councils review their depreciation and look for further savings out of some new resource sharing, but he did not comment a lot. Obviously it is all about the Government and Cabinet's decision ultimately with the process going forward.

And as was in our submission to this inquiry, plus our submission to probably everyone along the process, with some of that timing it is right to consult, but when you do get to the final paper you have to go "bang, bang" and get something in that time frame. I referred in our submission to the fact that Professor Sansom probably knows better than anyone how the departures from that report around JOs might ultimately help real councils. The Government appeared at times not to seem interested in what the JO might be able to do to help small councils—or all councils—but more so with how it can collaborate better. We felt that was probably a concern.

**Mr KENDALL:** I think there has been a collaboration and consultation process, and the timelines have been quite short. An example of those timelines being short and how they can potentially affect the whole



## CORRECTED

process is the JO funding agreement. Riverina Eastern Regional Organisation of Councils [REROC], for example, is a current pilot. We were accepted for that pilot back in October or November last year. The actual funding agreement, though, did not materialise and was not executed until well into this year. So that is part of the process: You are expected to carry on and do the process—and I think, respectfully, we did—but without any absolute guarantee.

Timelines are particularly important when you are consulting. You need the confidence that the consultation process and the analysis of the consultation have enough time—I think if anywhere within this process today it is having the confidence that there has been sufficient time to review, change and modify. Because we all know you will start out with a certain idea and, as you go through that consultation process, some of it needs to change. We just need to make sure that we have got that time. Again, I do not think there is anyone—certainly I have not heard from the REROC councils that there is a great level of concern about the process of reform, but it is always good to look in. We just want to make sure that the outcome is beneficial, is long term and has that effect. And there is an ongoing concern about the timelines. We do understand that it has been put around an election process next year. "Does it need to be?" is a question that I think we have all asked ourselves from time to time.

**Mr PINYON:** I have just one other comment, if I may, and that is to emphasise that in my view the Office of Local Government had a very strong commitment to this and they have done the best they can, but I believe they have been very short with resourcing which has been impacting on their ability with that turnaround time frame. The other comment to make is that, since we have established the pilot JO, there has been a noticeable change in the preparedness of agencies and departments to engage, in my view. I think they must have been given a very clear message from Premier and Cabinet. As long as that continues, that would be great for local government.

**Mr KENDALL:** We heard an analogy earlier, I think it was from Terry Hogan, who spoke about a wedding and a honeymoon. I think what local government is actually worried about is the child production times and the fact that, once you have produced the child, in this case, it just continues to grow and expand—

**Mr BOURKE:** And cost money.

**Mr KENDALL:** —and will be there and will cost money for the whole life.

**Mr DAVID SHOEBRIDGE:** And may not be State educated.

**Mr KENDALL:** Our real concern is what happens after the honeymoon.

**The Hon. PETER PRIMROSE:** Without extending the metaphor too far, on page 2 of Wagga Wagga's submission—referring to a matter the Chair raised and to give you further opportunity—you state:

Depreciation expense typically represents 20-30% of Council's overall operating expenses

You go on to say:

The depreciation expense is the key reason why many Councils are reporting an Operating Deficit before Capital Grants and Contributions prompting the Minister for Local Government to announce that Councils are "in the red" and "losing millions on a daily basis". These comments are not helpful.

Is there any further you would like to say about depreciation?

**Mr KENDALL:** Last year, for example, in the 2013-14 reporting year there was a re-appreciation or reappraisal of council's assets, which resulted in I think about a \$14 million increase in those assets and a depreciation increase of \$3 million alone. In that year our cash operating position was a \$2.1 million surplus. Our total reported position, though, after depreciation was a \$14.1 million loss

**Mr DAVID SHOEBRIDGE:** But none of the assets had changed?

**Mr KENDALL:** None of the assets had changed.

**The Hon. PETER PRIMROSE:** So it is a phantasm of the accounts?

## CORRECTED

**Mr KENDALL:** We may have built some new capital but essentially the assets did not change but there was a revaluation given of current expected cost saving.

**Mr BUTLER:** I think Anthony McMahon, the general manager of Boorowa, summed it up brilliantly when he said—we are all done to death with the discussion, but he said that if you depreciate fairly short term over roads versus someone who says they are going to last for 200 years you are going to look a bit worse. Urana has got a 2.3 or 2.4 per cent appreciation in round terms across \$100 million, so you are running at about \$2.4 million a year. The council has always been very adamant to not cook the books or put any smoke and mirrors around what the real situation is. We have got sealed roads that have been taking a lot more trucks through. I think TCorp did a good first pass at looking at those issues and said small councils are very weak, et cetera.

But we just urge if not the Independent Pricing and Regulatory Tribunal then certainly the Minister when he gets the reports to make sure that they have done a real good analysis on what neighbouring councils are all running with and accepting the fact that without having a detailed road assessment done across the region you are going to have some really up and down results. I think it would be unfair for council based on a TCorp report to be saying that you are going to go to the edge or to the wall. I have heard mayors from a long time back say that if we do not get any more funding we will still do what we always do, we will just put funding here and funding there and hope for a grant. I think the councils have probably painted themselves in a very bad light saying that we need all this money and we are whingeing to the government all the time. I have heard the Minister or people make comments that the industry asked for this sort of report, but we did not necessarily ask for some of the outcomes that might come out.

**The Hon. PETER PRIMROSE:** At page 3 of the Urana submission you say:

A further issue with the process is that, again in a departure from the Panel's final report, the "Scale and Capacity" concepts of the Panel were given falsely elevated precedence.

You go on to say:

Council appreciates the Government wants to deal with less Councils, on broader strategic issues, however the JO's are the vehicle for this, without the need for amalgamations.

Would you expand on that comment?

**Mr BUTLER:** Absolutely. We feel that there has been good reason for Government to be a bit sceptical or cynical or critical of councils over the years where they have not maybe made the best decisions. I am talking roads as an easy example around strategic links. I think through the recent Fixing Country Roads grants our council was able to get \$1.3 million through a partnership with GrainCorp because it was a major freight improvement around Boree Creek towards Lockhart. That showed that the Government will invest in councils—it does not matter whether you are big, small or whatever—if it is a decent strategic plan. The Riverina Eastern Regional Organisation of Councils [REROC] led the way prior to regional joint organisations [JOs] being talked about to get some strategic transport planning across the region.

We feel that maybe the panel had some ideas about councils needing scale and capacity and we all know how hard it is to measure, et cetera. But we feel that the Government then somehow decided that would be the first or IPART apparently decided that would be a threshold sort of case and if you did not pass that then forget about trying to get all your other ratios in order. We feel that maybe it has been elevated up the rank a lot. Up the ranking on an equal footing—not to show that Urana would ever get towards even a Corowa or a Wagga let alone a Sydney council. We just do not feel there has been enough robustness put into that scale and capacity that you need.

We are doing a fine job within our own local region. We accept that the decision is on a larger basis. Even our funding for roads within our shire is probably going to be done at a JO but we have got a vote at it so hopefully we will get some work back out of the roadworks. We just feel it was given a fairly high standing and possibly critically it could have been aimed at trying to knock the little councils off or merge some of the inner Sydney ones that did not have enough people in them. I do not know if the mayor wants to add anything to that.

**Mr BOURKE:** No, that was good. I agree.

**Mr DAVID SHOEBRIDGE:** The REROC pretty much already works, would you say?

## CORRECTED

**Mr BOURKE:** Yes.

**Mr BUTLER:** Only alluding to what REROC had said, we did not think the mechanism or the intention or certainly the output of the State regional organisation of councils involvement—whereas the JO for whatever reason is going to be better.

**Mr DAVID SHOEBRIDGE:** REROC was working but you probably could have done with more regional connection with State government departments and agencies. That was pretty much the status quo?

**Mr KENDALL:** I think one of the potential advantages or one of the advantages that we will find going forward under the formal arrangement of a JO where there are some mandated functions is that, for example, regional planning and regional collaborative planning will work much better. But whether or not you could have changed the current system under how the regional organisations of councils are formed or on how they operate is a mere question. But I think we have got our minds to the JO model. The JO model, I do not think there is any disagreement in this region that it will form and will allow councils to operate in a better, more formal collaborative manner. But there is also no doubt that it will cost more money to operate.

Currently we are seeing that State government departments are coming on board and, as they should, are actually being a part of some of the pilot JO functions—for example, regional strategic planning, our regional water planning and our regional transport planning. That should be a given and it should be encouraged I would say more broadly, because the potential outcomes from that and what the State and Federal governments could get out of this regional cooperation and regional joint ventures such as this will be very great.

**Mr DAVID SHOEBRIDGE:** There are two aspects where you need that financial and resource commitment from State and Federal government. One is running the JO itself because it has got to be more expensive than the regional organisation of councils, I am assuming.

**Mr KENDALL:** That is correct.

**Mr DAVID SHOEBRIDGE:** Do you have any figures on that?

**Mr KENDALL:** What has been indicated to us is that the current operational model of the JO will require a chief executive officer and effectively that is going to be a \$300,000-odd expense.

**Mr DAVID SHOEBRIDGE:** You can never have a chief executive officer unless you have some staff, so that will cost more.

**Mr KENDALL:** Approximately twice what it currently costs the regional organisation of councils to operate.

**Mr BUTLER:** And under the award, is that an issue?

**Mr KENDALL:** Under the award I think it was level one of the SES.

**Mr PINYON:** There was some modelling done on various scenarios. As the mayor has described, from my recollection it was close to double.

**Mr DAVID SHOEBRIDGE:** But the funding from the State Government runs out at the end of the pilot project and you will be carrying the cost after that.

**Mr KENDALL:** That is correct.

**Mr DAVID SHOEBRIDGE:** You are the guinea pigs.

**The Hon. ROBERT BORSAK:** I really appreciate the condition of the roads in this part of the world. I travel quite a lot along the roads from the Hume Highway through Wagga then down through the nice little verandah town of Urana all the way to Finley a number of times during the year. I go down there duck shooting,

## CORRECTED

so I particularly appreciate the condition of the roads. Let us take Urana for example. What is your attitude to being forced into an amalgamation with one of your neighbouring councils?

**Mr BUTLER:** I think there are two parts to it. The community, as I said earlier, has had a long sort of threat—I will call it—over amalgamation. There are two parts to it. One response was around the preferred partner of the panel, which was Corowa, so totally different. We did an extensive community consultation process right from the beginning and it is all through our application, et cetera. It is on the record. Over 85 per cent of the community did not want to merge at all but we then broke it down and said if we have to merge do we go with Corowa or would you want a smaller model council put together? They were still very much resistant but certainly if they were looking at it they would want smaller units. The community was very supportive of the council.

**Mr BOURKE:** I would say that the problem we have also found is our rate base is probably 90 per cent rural and Corowa's is about 30 per cent. We are different businesses. We are different industries. Corowa has a population of approximately 11,000, ours is 1,200. Our representation on Corowa shire would be minimal if one. But the same thing, it is not hard to get evidence of what would happen. There are three towns between Urana and Corowa currently. You have only got to have a look at those towns to see where Urana would end up in the future. But as I quoted earlier, we are still on hour away from Corowa so the efficiencies really are not there for staff movements, et cetera.

**Mr BUTLER:** The original point was what would happen in a forced merger and they would be totally—

**The Hon. ROBERT BORSAK:** The answer is you, like a number of other councils, are what I would call refuseniks.

**Mr BOURKE:** Yes, absolutely.

**Mr DAVID SHOEBRIDGE:** With your rural rate base you probably have a higher average rate than a council which has a predominantly residential rate base in rural New South Wales. Is that right or wrong?

**Mr BUTLER:** Our average residential rates are around \$248. Our farmland average rate is about \$2,100. What we found in the last re-evaluation is that our farmland, as the mayor had said, is very productive. The shire is almost all croppable. It rose quite a lot because farming is a big deal. But because our village is so small our whole collection of rates from those five little towns is only about \$180,000 to \$200,000 per year because the villages are so small. The farmers all use the services but our rate base is rural.

**Mr DAVID SHOEBRIDGE:** That rural rate base contributes to keeping your small towns running.

**Mr BUTLER:** Absolutely.

**Mr DAVID SHOEBRIDGE:** Whereas if you get merged with a bigger entity your rural rate base will potentially contribute to keeping some other town going.

**Mr BUTLER:** That is right.

**Mr DAVID SHOEBRIDGE:** That is your real concern, is it not?

**Mr BUTLER:** Yes.

**The Hon. ROBERT BORSAK:** What about the city of Wagga? You are not like Parramatta that wants to take over everybody.

**Mr KENDALL:** The city of Wagga is interesting. I think we are almost 5,000 square kilometres. It has actually come together because Wagga used to have a couple of donut councils around it. Two rural shires surrounded it and they were amalgamated in that 1980-odd round of amalgamations. I forget the exact date. To drive from one end of Wagga city to the other end is about an hour and a half's drive if you go pretty quick and you do not get held up by traffic in the middle of town. To amalgamate into a bigger shire, into a bigger council is going to make it very, very difficult to manage plant and machinery. Engineering plant and machinery in particular does not move readily.

**Mr DAVID SHOEBRIDGE:** Let alone the community of interest.

**Mr KENDALL:** Let alone the community of interest. I see going through the area that local government quite frankly forms the community of interest at places like Urana and Lockhart and Coolamon and Junee. It becomes the identity of those towns. We see how the smaller towns within those entities have struggled since those 1980 amalgamations and how lots of towns that were thriving towns prior to those amalgamations are no longer thriving towns. Is that because of the amalgamations or is that despite the amalgamations? We are not sure because we are going through a rural population adjustment process overall.

**The Hon. ROBERT BORSAK:** What has been the impact of water buy-backs in your local government areas?

**Mr KENDALL:** Very significant out Griffith way. Not so much for Wagga.

**Mr BOURKE:** And the same for Urana. We are probably just on the edge of the irrigation.

**Mr BUTLER:** Particularly in Jerilderie and below and Deniliquin and down through there it is a lot more severe.

**Mr BOURKE:** We have still got a fair few ducks though.

**The Hon. BEN FRANKLIN:** My question is to both councils. Could you identify any challenges that you think exist for your council or your community because of the local government boundaries as they currently are?

**Mr PINYON:** One of them is, as the mayor just alluded to, the geographic size of our council area. Outside of this process—although I must say somewhat stimulated by it—there have been arrangements put in place where, for example, part of our road network is actually closer to Lockhart so Lockhart is doing some maintenance for us in that area. We are exploring the same opportunities with Tumbarumba and other council areas as well. There are sharing opportunities like that, which are challenges in the existing configuration, but we are working towards collaborative solutions.

**The Hon. BEN FRANKLIN:** Do you think that joint organisations [JOs] could assist in that process even further?

**Mr PINYON:** I believe so. I think something that has been obliquely touched on is that a JO would have some legislative teeth, whereas a regional organisation of councils in its current form does not have that. We have got around that in many ways by other mechanisms, but I think that having some legislative framework through the Local Government Act reform will give opportunities for greater improvement.

**Mr KENDALL:** A small comment I will make on that is, no matter what you do with local government boundaries and/or JOs it will not solve the sustainability of local government unless there is real action taken on the future financing and sharing of the true national finance income to the function of local government. That is one fundamental thing that is not currently addressed in the reform. It is that agreement for work, that when something gets moved across because it is more sensible to happen in local government, that the money should come across with it and it should be absolutely guaranteed and it should not be optional. If we do not do that as part of this reform process, it does not matter what you do—whether it is forced amalgamations, voluntary amalgamations or Jos—the outcome in the long term will not be what you want it to be. There absolutely has to be an agreement on roles and functions and the financing so that there is a guarantee going forward. Then you will have a sustainable sector.

**The Hon. BEN FRANKLIN:** Thank you. What are the challenges of the current boundaries in Urana as they stand now?

**Mr BOURKE:** Personally I do not see a lot of challenges currently. For a number of years we have been resource sharing with surrounding councils and contractors, et cetera. So that has already been implemented in a way which, if necessary, can go further through ROCs. But there are no immediate challenges. As I quoted before, we have got a large area, but to date—touch wood—it has been pretty good.

## CORRECTED

**The Hon. BEN FRANKLIN:** One of the previous witnesses suggested that the level of compulsion in joint organisations could detract from their success due to the warm voluntary nature of the successful ROCs or organisations that have been working here. Yet others argue, including yourself, as to the opinion that the advantage, of course, in having a compulsion is that then gives you more clout and it means that the State Government is focused. Would either council like to enter that debate and give me their views?

**Mr PINYON:** I am not sure that I said that it is the compulsion that gives more clout.

**The Hon. BEN FRANKLIN:** I was not trying to verbal you, sir.

**Mr PINYON:** It was the legislative teeth that I was really emphasising. I can understand why that point of view was expressed because if you do something voluntarily, ideally if it is something from the heart you have more commitment to it than something you are forced into. I understand that perspective. In our particular ROC area I do not see that as being detrimental because that commitment exists whether it is voluntary or mandated.

**Mr BUTLER:** I think it would be more a point if it was a totally brand new concept—you are in or you are out—and there is no such thing as ROCs or JOs. The ROC has been going well and I think it would be a childish view if they said, "Now we are forced into it we do not want to do it." If it is a brand new system you would have that issue. I cannot see it being an issue in our region anyway.

**The Hon. BEN FRANKLIN:** Thank you.

**Mr KENDALL:** I think there is a mature recognition that there are going to be some things that have to be mandated, such as regional planning, whether that is land use planning or transport planning. But you need to get a view of your region. After that, you can make sure that what you do essentially fits into that local view. I think there has been a fairly excited acceptance that this is actually a way that we are going to get a much better feel, not just for what we do but how we fit into the region as well. It happens for Wagga as much as for Urana. I think it is important we are getting a much better shared view through that process.

**The Hon. BEN FRANKLIN:** You feel that those regional elements could be appropriately orchestrated through the JO process?

**Mr KENDALL:** Yes.

**Mr PINYON:** To add to that, the other thing that has not been touched on is that there are opportunities. Each council is required under the integrated planning reporting framework to have a community strategic plan. The State Government has a State plan and there ought to be better alignment and better recognition of what the local communities have and see what alignment opportunities there are with a State plan as well. Something could happen in that space.

**Mr KENDALL:** Certainly.

**The Hon. LOU AMATO:** You have had community consultation about a possible merger in Urana, have you?

**Mr BUTLER:** Yes. It is full-on, just the whole Fit for the Future process.

**The Hon. LOU AMATO:** How do they feel about it?

**Mr BUTLER:** It was about 80 per cent or 85 per cent. We ended up with about 300 surveys out of a population of about 1,200-odd. That is everybody, so out of a surveyable figure we felt that was a very strong response rate that 85 per cent wanted to stand alone. The comments from the remainder that did want to merge were more so not just that they were merge merchants but that they felt that if the opportunity is there you shape the future. We know well and truly why those ones would want to voluntarily merge rather than being hit later on with a stick and told you are going to wherever you should have gone to.

We felt we had a very honest approach around the financial issues of council, such as the fact that we have never had rate increases above the cap for so long and there will be some issues, and unless there is extra financial assistance—grants, et cetera—coming down the track that the communities will be looking at some

## CORRECTED

rate increases. We just felt we should throw it all out there. I think it was mentioned by one of the other councils generally, and even Professor Sansom said it, if people are aware what they have to pay and where it is going, 60 per cent of the population will pay, even though rates is the dirty word.

**The Hon. CATHERINE CUSACK:** Your website states there are 1,159 people. How many ratepayers do you have?

**Mr BUTLER:** Assessment of numbers, we would be in the order of 700 to 800.

**The Hon. CATHERINE CUSACK:** I can see from your submission and your report just how hard everybody works, but one thing that I have wondered about is the cost of governance. If it is worked out on a per capita basis it has to be in the order of \$300 per ratepayer.

**Mr BUTLER:** Yes. Total wages, salaries, councillor costs—

**The Hon. CATHERINE CUSACK:** I am just talking about councillor costs and maybe general manager costs.

**Mr BUTLER:** It is a good question because council looked at the issue of reducing councillor numbers. Our bill for total governance, et cetera, is about \$60,000 to \$65,000. That is councillor expenses and travel. General manager, on-costs, et cetera, is in our annual report, but it would be in the order of \$180,000, I guess towards that figure. The council—this is probably what the mayor alluded to as well—even looked at reducing councillors to seven from nine. We have three wards, so it would be a bit tricky; they might have had to go six. We did not rule out that issue. It was not out of self-interest. They just felt that if that was going to be a swing factor that they would do that. Unfortunately, we have not got the advantage of saying, "If you did this you can pass through." So they ended up staying with nine, but there are certainly elements in our application where we modelled that as an option.

**The Hon. CATHERINE CUSACK:** How is the council financing those costs? That must be all the rates revenue alone?

**Mr BUTLER:** Yes. I would welcome any asset inspection of our council. I know it is a bit of a cliché but the council has got 18 sections and three or five by-committees running across five different towns and the voluntary input is just enormous.

**The Hon. CATHERINE CUSACK:** This is not a reflection on anybody or the worth ethic, I am just wondering how those costs are being paid.

**Mr BUTLER:** I have been the general manger [GM] for 2½ years. I came from larger councils. They were only regional and rural councils, but they are larger ones because they are all larger. To think our council could work with 32 staff, but, yes, it seems to work. The assets are largely maintained by the community. They are in a lot better condition than I thought they would be. Coming from other shires, I thought the footy grounds, et cetera, would be pretty bad, but they are quite well presented and I think the community reflects that in their attitude towards council. I suppose there is no magic solution. The smaller the council, the more volunteers you have and things can be done cheaper, more efficiently, and decisions are made a lot quicker.

**Mr BOURKE:** Can I follow on with a couple of comments. In relation to costs of the general managers, in our case we are fortunate that the general manager is multi-skilled. While he has been the general manager he has been involved in planning and other—he is multiskilled, so that saves wages to council if they have those extra skills, which we are very fortunate to have.

**The Hon. SHAOQUETT MOSELMANE:** Jack of all trades.

**Mr BOURKE:** Yes, exactly. I find it—

**The Hon. CATHERINE CUSACK:** Can I emphasise again I am not questioning the cost for a moment. It is more about the financing of it. I would not for a moment question cost. I am sure it is valid.

**Mr DAVID SHOEBRIDGE:** Did you want a more detailed answer on those?

# CORRECTED

**CHAIR:** Thank you. Does the GM have a conflict of interest? Is he on the local footy side? In my experience of local government all the grass keepers are normally groundsmen and they do a damn good job on their local footy ovals.

**Mr BOURKE:** He tells us he can kick but we have not seen it yet.

**CHAIR:** Is that an initiative of Evocities or Wagga Wagga's own work?

**Mr PINYON:** That is our own.

**CHAIR:** Excellent. Is that file in a portable document format on your website?

**Mr PINYON:** Yes.

**CHAIR:** It is really well done. Congratulations. We will table that. I thank you once again. Like the previous witnesses, your frankness is welcome. At the end of the day we are here to make New South Wales stronger and we need to have strong local communities. We have nothing if we do not look at the social impacts along with the financial sustainability or unsustainability. I will reflect on one major thing that we picked up from Councillor Kendall: droughts do not know boundaries and neither does financial unsustainability. We need to be very mindful that whoever is carrying the financial burden, until the State or Federal governments honour the full cost recovery, local communities will always have to compromise, no matter how many amalgamations are potentially made. That is the clear message I received.

I hope that reaffirms and encourages you that this Committee is on the right track. We look forward to compiling your evidence. Once again, thank you for hosting us in Wagga Wagga. It is always nice to be here. Safe trip home. In respect of questions on notice, you have 21 days to reply. If you have stimulated our thoughts to ask more questions—I think I have one—we will put those on notice and the secretariat will assist if you need further help. Thank you. For members in the public gallery, we are going to move into a deliberative and we will need five minutes to do some housekeeping before we will be available to talk with you further. Thank you.

**(The witnesses withdrew)**

**(The Committee adjourned at 7.12 p.m.)**