

**REPORT OF PROCEEDINGS BEFORE**

**GENERAL PURPOSE STANDING COMMITTEE NO. 6**

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

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**At Armidale on Tuesday 18 August 2015**

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**The Committee met at 11.15 a.m.**

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**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 P. T. Primrose  
Mr D. M. Shoebridge  
The Hon. S. Moselmane

**CHAIR:** Good morning and welcome to the second hearing of the General Purpose Standing Committee No. 6 and the inquiry into local government in New South Wales. It is nice to be here this morning in Armidale. It seems particularly appropriate given that the University of New England hosts the Centre for Local Government. This inquiry is examining the Government's Fit for the Future reform agenda for local government in this State. Before I commence I acknowledge the traditional owners of the Armidale region. I pay respect to the elders past and present and extend that respect to Aboriginals who are present or listening today. The hearing today is the fifth of the six hearings we plan to hold for this inquiry. We will hear today from three panels of local councils, as well as academics from Centre for Local Government at the University of New England. Following the conclusion of the public hearing, we will also be holding a public forum from 3.45 p.m. to approximately 4.15 p.m.

Before we commence, I will make some brief comments about procedures of today's meeting. Today's hearing is open to the public and is being recorded by Hansard. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In regard to broadcasting, in accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives that you must take responsibility for what you publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses may say outside of their evidence at the hearing, so I urge witnesses to be careful about any comments you make to the media or to others after you complete your evidence, as such comments would not be protected by parliamentary privilege if another person decided to take action for defamation. These guidelines for the broadcast of proceedings are available from the secretariat.

In regard to questions on notice, there may be some questions that a witness could only answer if they had more time or with certain documents to hand. In these circumstances, witnesses are advised that they can take a question on notice and provide an answer within 21 days. The Committee Secretariat can assist with this. In regard to delivery of messages and documents tendered to the Committee, witnesses are advised that any messages should be delivered to Committee members through the Committee staff. Finally, could everyone please turn their mobile phones to silent for the duration of the hearing. I welcome our first witnesses, who are representatives from local councils. I did receive a message from the local member, the member for Northern Tablelands, Mr Adam Marshall. He sends his apologies. He has had to attend something urgent in Moree. I know he was keen to be here.

**HERMAN BEYERSDORF**, Deputy Mayor, Armidale Dumaresq Council, and

**LAURIE BISHOP**, Mayor, Armidale Dumaresq Council, affirmed and examined:

**MICHAEL PEARCE**, Mayor, Uralla Shire Council,

**DAMIEN CONNOR**, General Manager, Uralla Shire Council,

**SIMON MURRAY**, Councillor, Guyra Shire Council, and

**PETER STEWART**, General Manager, Guyra Shire Council, sworn and examined:

**CHAIR:** Would anyone like to make an opening statement? We only have about two minutes for your opening statement—and if it is longer, we are quite happy to table it as a document.

**Mr BISHOP:** I will keep this very brief. This is my first appearance before a Parliamentary inquiry so I am looking forward to the process. By way of background, I am a tree changer from Sydney and therefore was not involved in any politics or on any council prior to this. I have been a councillor here for about three years and mayor of about two. I do not want to go through all the documents. I have noticed that in the past you have read all the documents. Therefore there is no point in me reading through them all. There are a number of documents that we want to provide you with today, which are all here. I look forward to answering your questions at the appropriate time.

**Mr BEYERSDORF:** As I said, I am the Deputy Mayor of Armidale Dumaresq. I have been on the council for about 24 years and lived in Armidale for a long period of time. If I can just go back briefly to the year 2000, and I think I am probably the only person in this room who was actively involved in the amalgamation of Armidale City Council and Dumaresq Shire Council in that year. I think I can say that it was overall a success, and I will leave it at that given I have only a few minutes—and I will table this document. In 2004 we had amalgamation rounds in several areas, including Tamworth where amalgamation did occur. Despite the Vardon report recommending amalgamation here in 2004, it did not happen.

From 2004 to 2009 we had the so-called New England Strategic Alliance Councils [NESAC], which I am sure you have read about. In my view it was an abject failure, and I hope we do not end up with anything similar to that. In 2010, after the collapse of the New England Strategic Alliance, the Kibble report recommended amalgamation once again. But then the Local Government Boundaries Commission did not. So we have been through similar processes two or three times. Of course the independent review panel in 2013 recommended that we amalgamate with Guyra. In 2014 the Independent Pricing and Regulatory Tribunal [IPART] recommended the amalgamation of all four councils. I wish to point to the things that you have or will have—namely, some resolutions of the council from February and April.

I think I can say that the council takes a cautious pro-amalgamation view—cautious in that it did not say that it would support a forced amalgamation but rather that it would support a voluntary amalgamation. If the Government did force it, we would be ready to take that on. I do not wish to go on because I think that is about the end of my time. I do have some reservations about the joint organisations which are being proposed—not about joint organisations per se, which are a good idea, possibly, but rather about the proposed governance structures, which I think could be skewed and unfair to councils with a larger population if you have one representative per council—as in fact is found in the New England Group of Council [NEGOC]. Again, in my view this has a fault in that small councils, and I am not having a go at small councils, have the same representation on the board—as does the weeds council in fact—as large councils such as Armidale and Inverell. With your permission, I will table this document.

**Mr DAVID SHOEBRIDGE:** I do not have any documents from Armidale Dumaresq Council. If the mayor has those, perhaps he could table them for distribution now?

**CHAIR:** No, we do not have documents. I understand that Armidale Dumaresq Council did not make a submission to this inquiry.

**Mr BISHOP:** My understanding was that we did make a submission, and we do have additional documents which outline some of the history my colleague was just referring to.

**CHAIR:** Just to clarify, rather than putting together a whole new submission some councils submitted to us their IPART submission. So that is what we have from Armidale Dumaresq Council. Is that correct?

**Mr BISHOP:** Yes.

**Mr STEWART:** It was recommended that Guyra Shire Council amalgamate with Armidale Dumaresq Council. We believe that, for many reasons, this is a very poorly-thought-through preferred option from the independent review panel. We fear this recommendation will have a strong influence on the final outcome. We recognise that a merger may at some point be part of our future. However, all previous assessments recommended the amalgamation of Armidale, Guyra, Uralla and Walcha councils. It perplexes us that this specific independent review recommends the merging of Armidale and Guyra, and Uralla and Walcha separately. If there were to be forced amalgamations, boundary re-alignments must be factored into the equation to most appropriately recognise communities of interest. The wholesale amalgamation process by the New South Wales Government has intentionally ignored these factors to simplify the process of a merger but will create issues for future councils.

Guyra Shire Council was in the unique position of being able to determine which of the three templates it completed. However, with the actual rural model not being determined until late February 2015 and the final template not being released until 15 working days before the proposal was due, council had to make serious decisions about our destiny without full knowledge of the long-term impacts of that decision. We still do not know the answer to those questions today. In addition to the unrealistic time frames, the process placed unnecessary strain on our already limited resources—it cost in excess of \$100,000 or 3 per cent of our annual rates revenue to generate that submission.

We completed a rural council model proposal, in part by default as we could not meet the unrealistic benchmarks of the council improvement template. The benchmarks are not a measure of how efficient or effective we are. With \$200 million in depreciable assets and a rate base of less than \$3 million, we are never going to stack up under the seven benchmarks set. The Financial Assistance Grants formula recognises our large road network and small population ratio and helps bridge that gap, but it still falls well short. This position is simply what we are—a council with many roads and few people. But getting bigger does not really change this equation all; it simply means that either the rates of someone else—in this case the rates of Armidale residents—or another level of government must fill the gap. It does not make us more efficient or more effective.

Our councillors, either farmers or from the small local towns, have an intimate knowledge of our road network and of the need to support our local doctor—if we do not, we will not have one. They know what unique services are required for our small towns. Their decisions reflect this intimate knowledge—this is efficiency and effectiveness. Our community is behind us, supporting a 30 per cent rate rise just to remain independent under the rural council proposal. This demonstrates an acknowledgement that our rates are less than other councils in our region, a recognition of the significance of local representation in a small rural community and the likely negative economic impact of centralised employment under a merger. The shared services model, which has been operating with Armidale for over seven years, is much more effective in addressing the issues of scale and capacity than any amalgamation.

However, the Fit for the Future process and recommended merger has had a negative impact on our existing relationships with our neighbours—with Armidale to the south and Glen Innes to the north both vying for a slice of Guyra Shire. Councillor Murray and I are happy to expand further on why we believe the step-by-step reform process has unfairly made it difficult for Guyra to pass the reform benchmarks, and why a recommendation—which was required to be our starting point—was not based on the balance of evidence. We believe we have a solution for Guyra, and possibly for other rural-based councils, to become fit for the future; but it does not quite fit into the Government's required template options.

**Mr PEARCE:** Good morning and thank you for the opportunity to appear today as a witness on behalf of Uralla Shire Council at this Parliamentary inquiry into local government in New South Wales and the Fit for the Future process. We are very supportive of positive reform for our sector. Financial sustainability is a major underlying issue that needs to be addressed, particularly the variation in performance between councils. We believe that bigger is not necessarily better. However, the onus is on councils to demonstrate capacity that is supported by evidence. Integrated planning and reporting needs to play a far greater role in demonstrating effectiveness, moving forward. The Fit for the Future process could have been far better planned and managed. We are very supportive of the shared services model and joint organisations, and we are already actively

involved in progressing both these avenues in our region. We look forward to having an open conversation with the Committee today to try to assist the inquiry from regional council and rural council points of view. Thank you.

**CHAIR:** Thank you for your time. The sentiments that you are expressing represent the sort of evidence that we are collecting. It is not a case of one size fits all. In terms of cost-shifting, we have heard that there has been a 30 per cent increase. Was that 30 per cent increase to hyper-inflate the statistics to meet the Fit for the Future goals, so that you can stand alone?

**Mr STEWART:** We had a lot of community consultation on this, through surveys and public meetings. We met with over 10 per cent of our community who gave direct feedback. There is no question that part of that was the threat of a merger. That stood out as part of the 30 per cent. Council did look at how we could go into the future, and we put that to our community. We looked at how we have raised rates, over many generations. We looked rate-pegging and other components of our history. We looked at where we stood against others—where we stood in relation to other areas of New South Wales and areas of other States. It was quite clear that we were behind. In trying to coming up with a solution for our community, as to how we could remain independent—there was 85 per cent support for staying independent—we asked, "Would you be prepared to pay 30 per cent rates?" and the answer was, yes, they would.

**CHAIR:** My question, with all due respect, was: did you hyper-inflate the amount of rates you need to be Fit for the Future so that you could stand alone? I want a yes-no reply or you can take it on notice. I do not have a lot of time; I still want to ask a couple of questions.

**Mr STEWART:** To meet the benchmarks of the rural model we still need to go up by 30 per cent.

**CHAIR:** Many people did submit a special rate variation; this is not an attack on you. My point, for the report's sake, is that councils put what figure they needed to become Fit for the Future, which potentially makes the methodology null and void.

Off the top of your head could you give us a round figure of what cost-shifting is costing you as a council from the State point of view? More particularly, what is the gap of full cost recovery on regional roads in your area? Would anyone like to give us a snapshot of your area in those two regards?

**Mr DAVID SHOEBRIDGE:** You can give more detail on notice.

**CHAIR:** Yes, you can take it on notice. Roughly, what is cost-shifting costing your council? Secondly, in terms of regional roads, how many kilometres do you have and what is the funding that the State Government is giving for that? The evidence that we have received so far is that we might be short-sheeting by 15 per cent, or around that figure.

**Mr BISHOP:** Armidale Dumaresq Council would like to take that question on notice.

**Mr BEYERSDORF:** I would like to mention one specific example. It will not fully answer your question so we will take it on notice. The road from Armidale or Wollomombi to Kempsey—the so-called Old Kempsey Road—used to be a regional road, under DMR for maintenance and upkeep. It is a gravel road. It is very scenic. It got transferred to Armidale Dumaresq Council. It is on the very edge of our council area and we have had to spend a lot of money because we have had rockslides and landslides. Some years ago we also built a bridge over the Styx River. That cost us a couple of million dollars, I think. I am not using exact figures, so please do not hold me to them. That is one aspect of cost-shifting that has impacted negatively on us.

**CHAIR:** As I said, you can take it on notice.

**Mr STEWART:** In Guyra there are about 120 kilometres of regional roads. We are managing that without ratepayer money at the present. We are managing that because we have been able to receive some one-off capital grants to do the capital work.

**CHAIR:** Is that through Roads to Recovery?

**Mr STEWART:** Some of it has been through Roads to Recovery; some of it has been through special one-off projects. We have utilised the LIRS program, where we have been able to get a very low interest rate.

Without that support, which comes and goes, we could not break even on regional roads without using ratepayers' money.

**Mr DAVID SHOEBRIDGE:** What about other aspects of cost-shifting? I think the Chair's question was broader.

**CHAIR:** I could certainly go broader. You could talk about section 94 issues and section 88 waste issues and FAG decreasing by two per cent initially and going down to 0.6 per cent or 0.4 per cent.

**Mr STEWART:** FAGs obviously needs to thaw out fairly soon; it is frozen. I will give you a classic example, which we did a bit of homework on. Our library used to be 50 per cent State Government funded and 50 per cent local government funded. We run it at a \$180,000 loss a year. We are only receiving about 10 per cent government funding through that program.

**Mr DAVID SHOEBRIDGE:** The dollar figure has been frozen since 1980.

**Mr STEWART:** Yes.

**CHAIR:** The issue is that it has compounded. You not only lose it that year; you lose it for the next however many years you keep receiving funding.

**The Hon. PETER PRIMROSE:** Mr Stewart, you mentioned frozen FAGs. Could each of you take on notice the question: What is your estimate of how much money your individual councils are losing annually—and project that forward—as a consequence of the freezing of the indexation of the financial assistance grants? I am not asking you to answer that off the top of your heads. Please take that on notice; that would be great.

**Mr CONNOR:** I can tell you that for Uralla Shire Council, the compounding effect over the three years of this freeze alone is \$320,000 to our bottom line. That is a considerable impact for an organisation that has an operating budget in the vicinity of \$15 million. That is not to mention the fact that different changes to the FAG over the last 30 years has moved it from about one per cent down to about 0.53 per cent, by the time the freeze is over. So that is considerable, industry wide.

**Mr STEWART:** Ours is about \$60,000 a year, compounded—that is, \$60,000 from the first year. If you are looking at where it sits in our budget, it is about two per cent of our rates.

**Mr DAVID SHOEBRIDGE:** That is about the same for Uralla.

**The Hon. PETER PRIMROSE:** Armidale?

**Mr BISHOP:** We are happy to take that question on notice.

**The Hon. PETER PRIMROSE:** I appreciate those comments. Thank you.

Councillor Beyersdorf, you indicated that you are not in favour of forced amalgamations. What would you look for in terms of voluntary amalgamations, from the State Government, which may support you in that process?

**Mr BEYERSDORF:** I did not say that I was not in favour of it, necessarily, but that our council, as per council resolution—including a council resolution of 2010, which we have tabled recently—would favour voluntary amalgamation.

The point is that if amalgamation is to come—it is something that I have not fought for but indicated my support for—we would have a much stronger region, similar to Tamworth and Grafton and other areas that amalgamated years ago. We would have 35,000 or 40,000 people and be a stronger region. I am fearful that if amalgamation does not come but some of these other things come—I alluded to it at the end of my introductory statement—and we get some kind of joint organisation, it will be much less efficient than amalgamation, despite people saying that you can share services. We had a very bad experience—I alluded to that—with respect to the New England Strategic Alliance of Councils [NESAC]. That was set up after 2004. I think one of the submissions said that it was just there to avoid amalgamation. That is not something that I am saying.

**The Hon. PETER PRIMROSE:** If amalgamation was to happen, what resources, supports and policies do you believe the State should bring in, which would assist you in that process? Do you need anything?

**Mr BEYERSDORF:** I could briefly allude to—I am trying to find it—our resolution of April of this year, when we expressed the view that if some of the smaller councils were to be joined and not become rural councils—I think Walcha was specifically alluded to—we would want quite a bit of financial assistance from the Government to get all of these places up to scratch in terms of roads and those sorts of services, which have fallen behind. I refer to the whole area, including us, but in the smaller councils the infrastructure backlog is much more pronounced than it is within Armidale Dumaresq Shire, although we cannot be proud of our backlog, either. So, yes, we would be looking for funds—and not just the \$10 million, \$11 million or \$13 million that has been promised by the Government for the two or more councils that want to join but some ongoing financial assistance, especially to cover those areas that I have just alluded to with respect to infrastructure backlog, especially for the smaller councils but also within our area.

**The Hon. PETER PRIMROSE:** Again, could you take that on notice. I think it would be useful if you could list some of those supports, and detail that to us.

**Mr BEYERSDORF:** Some of it is in that resolution that has been tabled. I am just trying to find it.

**Mr DAVID SHOEBRIDGE:** In short, you need a whole lot more money.

**Mr BEYERSDORF:** That is the short answer, yes.

**Mr CONNOR:** I would like to add to that, speaking from experience as a previous staffer at Clarence Valley Council post amalgamation. The answer is not in the amalgamation. There need to be hard decisions made thereafter. One of those is the rate-pegging legislation. There were recommendations from the review panel about streamlining of rate-pegging. It does not necessarily have to be abolished, although that would be fantastic. Some streamlining of that process, heavily linked to checks and balances back to our integrated planning and reporting process—particularly some of the asset data that comes through that, as well as the community engagement—would definitely help to have a better conversation with regard to some of those things, without going back to State and Federal governments all the time with our hands out. The councils from the 2004 round of amalgamations which did that still have not solved the problem. And the councils that have gone about it their own way—albeit through a very lengthy process with IPART for special rate variations—have started to bite into that issue as well.

With respect to the moratorium around staff, we know that it is very important to protect that. That also puts some constraints in place with respect to being able to start the change process. Maybe we need a little bit more flexibility around that with regard to redeployment. That is probably there already but that has certainly provided some challenges in moving from four old structures or two old structures into a new one. Those things would have to go along with it, otherwise you are just moving three or four councils with financial sustainability issues and asset sustainability issues into one big one with the same problems, without the tools to address them.

**Mr STEWART:** A general manager is in quite a fix here, because if there is a forced amalgamation the GM has to look at the business of the operation and the efficiencies. But we have done the homework. Just to put you in the picture, we have a work force of about 65 full-time equivalents. The flow-on of centralisation—we understand this from examples in other States—is that there is about 20 per cent loss of staff. That equates to about 13 jobs in our community. If you look at the multiplier effect of that and we estimate that that would be 21 or 22 jobs. I feel strongly—even though setting up council efficiency and the business case is important—that if you lose those jobs through those small communities, because it is inevitable that the council will be centralised, the effect will be enormous. And I think that that has to be tackled.

**The Hon. ROBERT BORSAK:** We have received a lot of evidence to that effect. A lot of the councils and councillors were of the view that amalgamations into larger local government areas would inevitably see the depletion of the smaller towns and villages within that larger area to the benefit of the central site, whether that is Wagga Wagga, Armidale or the City of Parramatta, which is trying to take everybody over in Sydney.

**The Hon. PETER PRIMROSE:** Would you like to comment on Mr Borsak's statement? Is there anything you would like to add to that?

**Mr STEWART:** No—only that I agree. As a GM, I would want to centralise my work force to some degree, in terms of my directors and senior staff. That would drag the staff from those smaller communities. I know that you will have witnesses from Tamworth and others but I am sure that if you look at the evidence, in our case it will be 20 per cent. That is a big loss to our community in terms of the flow-on of that. We talk about the three-year protection and retaining staff numbers if you are under 5,000, but there are ways around that. The document refers to "where practicable" but who knows what that means. In other words, it does not actually happen. They are drawn out of those communities and the numbers do reduce.

**The Hon. SHAOQUETT MOSELMANE:** My question is to Mr Stewart. You mentioned a couple of times that the process has been poorly thought out and that the Government has ignored the process. Yesterday the Minister said in evidence that this has been a genuine partnership. How can you reconcile those two statements?

**Mr STEWART:** The process that we have had to follow, to me, disadvantages right from the very start a small population, large asset-based council. The two key things you have to show—well, there are more than two—are scale and capacity. That is very hard to do when you have got a large asset base and a small population rate system. We have always had external funding to formula into how we manage that but this process looks at the internal; it does not look at the support that we must get and have always have got externally. Firstly, it is scale and capacity. The starting point is hard. From our position we believe what is unfair as well is the preferred option which seems to move to the recommendation is flawed, and how they came up with an Armidale-Guyra merger on the balance of evidence I cannot accept.

You then have to use that as the starting point in your process step-by-step as you go through the rural model. That makes it very hard because all the time you are fighting the case as to why you should not merge and each step you have to take through that you have got to prove why that is not the case. Bigger isn't better just based on the financials. Some 90 per cent of what you do as you work through the model is working through those financial formulas. They do not favour us, they never can and they never will. Sure we are small, that is reality, but it does not mean that we are inefficient or ineffective and that comes out as the answer in some ways when you have to step through the process. That is unfair.

**CHAIR:** I take this opportunity to acknowledge representatives from The Armidale School and the Presbyterian Ladies' College Armidale who are joining us today as part of the parliamentary education program. Welcome to this inquiry. We hope you have a good day as you learn about what we do as parliamentarians. We also hope to see you in Parliament one day. This is a great initiative. I thank our parliamentary staff for doing such a great job in taking democracy to our rural and regional areas.

**Mr DAVID SHOEBRIDGE:** Were the concerns that Guyra has about the loss of jobs and the flow-on effect that has to your important townships able to be reflected in the templates that you filled in during the Fit for the Future process?

**Mr STEWART:** Not to the extent that I believe it should have. As you go through the template basically you are working on the next 10 years of the financials—that is the business component of it. Within that there is the ability to look at your strengths, weaknesses and opportunities, there are some opportunities there, and there is the opportunity to recognise some of those challenges that would occur, but it is not the emphasis of what the process shows, you have got to almost add it in because it is not part of the template.

**Mr DAVID SHOEBRIDGE:** What about from the Uralla perspective? Do you think the criteria that the IPART assessment has properly reflects the fitness of Uralla as a council or is it too skewed on financials?

**Mr PEARCE:** The key thing here that you have got to understand is that we are in the country. We have a population of about 6,400 people and our council population staff is a large chunk of the pie of the town. So anything that impacts on council impacts on the community. I feel it is very important for this inquiry to understand that.

**The Hon. ROBERT BORSAK:** I just interrupt you there. Guyra said they had about 60 employees, full-time equivalents. How many have you got?

**Mr CONNOR:** One hundred and fifteen.

**The Hon. ROBERT BORSAK:** What about Armidale?



**Mr BISHOP:** Three hundred and sixty currently.<sup>1</sup>

**The Hon. ROBERT BORSAK:** So they are all significant capital and economic contributors to the local community.

**Mr BISHOP:** Yes.

**Mr DAVID SHOEBRIDGE:** They are secure jobs, they pay well and the pay cheque comes in every fortnight?

**Mr PEARCE:** And they are looking after families, budgets, mortgages.

**Mr DAVID SHOEBRIDGE:** So they are important factors, particularly in small towns and regional economies. Did the IPART criteria allow you to properly reflect that in the test for fitness?

**Mr PEARCE:** We believe no, they did not.

**Mr DAVID SHOEBRIDGE:** What about from Armidale Dumaresq?

**Mr BISHOP:** The question you are asking is along the presumption that there is going to be a solution that will fix all problems. I think Armidale does not perceive it that way. I think, as was mentioned by Mr Borsak, the Fit for the Future is going to be against the Parramatta's. Really we should not be working in isolation; we cannot afford to have independent castles these days. We need to be working collaboratively to ensure that we have a loud voice in Macquarie Street, which will allow us to have the funds that we need and drag those funds away from the metropolitan areas and the coastal areas. It is not about sustainability from our point of view; in my view it is about survivability of rural and regional Australia.

**Mr DAVID SHOEBRIDGE:** Were all your councils involved in the New England Strategic Alliance of Councils [NESAC]?

**Mr CONNOR:** Yes.

**Mr DAVID SHOEBRIDGE:** Can you please expand on why you think that failed and what lessons there are for the joint organisations?

**Mr BISHOP:** If I may suggest my colleague here was involved in that process.

**Mr DAVID SHOEBRIDGE:** Was it consensus, the absence of consensus, the lack of a statutory structure or what?

**Mr BEYERSDORF:** If I could respond briefly to that? I suppose you could say that it failed because it could fail. It was set up to—not as I said but as somebody said in the report—to avoid amalgamation so in that sense was it entered into genuinely? It was an organisation that was able to be left. The main thing about it was shared services, the principle was good, but there was a heck of a lot of cherrypicking where different councils said, "Yes, we will share a service in X or in Y but not in Z." In my view important services, large-scale services, which you think would be the prime targets for that—like water, sewerage, waste management—were never included in shared services in NESAC; it was whatever people thought might be good just to make it look good.

The other thing before concluding on that, apart from the fact that it could be dissolved, which in my view was a bit of a blessing actually but, having said that, the Government's model—and I might be alone in this view—was where we had one council, one vote, type of thing, so four votes to be sure, but Armidale is about two-thirds of the entire population and therefore we had a quarter of the representation on this kind of a board despite having two-thirds or 67 per cent of the population. I have always thought that the Government's model

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<sup>1</sup> In correspondence to the committee dated 8 September 2015, Cr Bishop made the following clarification to comments regarding the number of council staff:  
*'The figure should be amended from three hundred and sixty to two hundred and thirty-one.'*

was flawed and also, of course, it had to report back to individual councils so it was very cumbersome. It ultimately collapsed under its own weight.

**Mr PEARCE:** Through you Mr Chair, can I quickly say that I believe that NESAC did fail because of the characters that were in play at the time, pure and simple.

**Mr STEWART:** If I could just comment as well? I think it could have actually worked if you took the politics out of it. Could I put it from the perspective of a general manager [gm], and I have only been here two years so I wasn't part of that, but when I came to Guyra we had shared services—we still do with Armidale—and they have been running for seven years. One of the attractions for going to Guyra as a gm without this I guess skill base around you, without the senior staff, without those challenges of bringing those people into Guyra, was what this offered—and I feel it offers an enormous amount. The difference I see as we move forward—and yes it fell apart but I think it fell apart through politics.

**Mr DAVID SHOEBRIDGE:** Everyone is nodding.

**Mr STEWART:** But taking that out of it, the JO structure into the future has that statutory; it has what is needed to get that out of it, and I think that offers an enormous opportunity for regional areas like this to work together under that. But it needs that bite to it so the mayors cannot decide to walk over night.

**CHAIR:** I think the reason we have Fit for the Future is because of the role that some politics played rather than the true benefit to the community.

**The Hon. ROBERT BORSAK:** And there are no politics in what we are doing now?

**CHAIR:** That is why we are here.

**The Hon. ROBERT BORSAK:** You are not supposed to admit it.

**CHAIR:** There I go being honest again.

**The Hon. ROBERT BORSAK:** We need a benevolent despot—hang on, we did have one. Am I correct in saying that all three of your councils manage water assets?

**Mr STEWART:** Yes.

**Mr PEARCE:** Yes.

**Mr BISHOP:** Yes.

**The Hon. ROBERT BORSAK:** What would be the effect on council's rate base if you were to lose those assets?

**Mr STEWART:** From Guyra's position it is about a break-even. Obviously the smaller your towns are the less cost effective and we have got a mix of water supplies to our two main towns, it is about break-even. We have a small backlog in terms of asset replacement, it is about break-even. So we don't actually make a lot but we don't lose anything on that area.

**The Hon. ROBERT BORSAK:** Uralla?

**Mr CONNOR:** The major effect on us is the quantum of jobs. At the end of the day they run as separate funds and ours breaks even but because we can't transfer between the funds it is only the offsetting of a larger administration. So without the capacity that water and sewerage, domestic waste and a couple of others offer us we would have very downsized corporate services, which would mean jobs. So if they were removed regionally then its local jobs.

**The Hon. ROBERT BORSAK:** You would lose engineering capability and all the things which flow from that.

**Mr CONNOR:** Potentially chief financial officers [CFOs], human service managers. We are at a precipice now where if we are a lot smaller it is very hard to keep the right sort of people in those roles and offer them the diversity. If we became basically 60 per cent of that size for our corporate service areas we would struggle to keep the quality of people there in those roles as well. So it is very important.

**Mr DAVID SHOEBRIDGE:** Critical mass.

**The Hon. ROBERT BORSAK:** Armidale?

**Mr BISHOP:** In terms of the specifics we would have to take the question on notice but we are very fortunate in that one of our forefathers had very long-term vision as to the needs for the water and we have a very good water supply that supplies us with a good source of supply for all these occasions except for severe drought, which is currently the situation.

**The Hon. ROBERT BORSAK:** Just listening to you all speaking about the failure of regional cooperation in this area in the past, Minister Toole said in evidence yesterday that he thought the opposition to this whole process was primarily characterised by self-interest and self-serving councillors and other people. Do you have any comments to make in relation to that?

**Mr BISHOP:** Armidale has always been perceived to be predatory. We are the largest council and that has caused us difficulty in trying to work with all of our immediate neighbours and our regional neighbours. We have never set out to be predatory. The fact is that we have been really successful over a very long period of time in not being able to collaborate. The region does not have a ROC, an organisation of councils. We are way behind Tamworth in terms of achieving those sorts of objectives. They have set a much better objective than we have. The reality is that I do not know what the history is, whether we were perceived to be academics and therefore all of the rural people could not communicate. Whatever the history, it has been wastefully unsuccessful in the past.

We have spent a lot of time and, as was said by my colleague earlier, there are a lot of new players in council and in management now in the region and we have attempted to get together and to deal in good faith with opportunities of collaboration together. That has not proved successful in terms of amalgamation, which was requested of us, or certainly to consider the amalgamation, but as far as joint organisations are concerned we have made significant progress not only with our immediate neighbours but also farther north. The idea of having a New England Region of Councils has gained a lot of momentum. I guess it would be fair to say that there is still a lot of work to be done. From my personal point of view—

**The Hon. ROBERT BORSAK:** What you are really saying is that you are a prime candidate for a forced amalgamation?

**Mr BISHOP:** Yes, and I think we have recognised that in our submission.

**The Hon. ROBERT BORSAK:** Would you be happy to be forced to be amalgamated with other councils?

**Mr BISHOP:** Sorry? Would you ask that again?

**The Hon. ROBERT BORSAK:** Would you be happy to be forced to be amalgamated?

**Mr BISHOP:** Happy? No, I do not think our residents would be happy with the prospect.

**The Hon. ROBERT BORSAK:** I thought that was where you were going. That is why I asked the question. What about Uralla?

**Mr PEARCE:** I think is important to state from the get-go that local government is government closest to the community. We have consulted with our community, along with Guyra, and our community has told us that they wish us to retain our identity. So we are listening to the community and trying to look after community needs and wants. It is very important.

**The Hon. ROBERT BORSAK:** Do you have anything to add to that?

**Mr MURRAY:** Guyra is that just north of here, but it is a shire that is 160-odd kilometres from the easternmost point to the westernmost point. The north-south is very short—it is only about 40-odd kilometres—but east-west is huge. The Guyra township is just straight north on the New England Highway, but we have a major community that is out west. It is only about the same distance from our western most community to Inverell than it is from Guyra to Armidale. For us to even contemplate a merger with Armidale, we have a big community out there that is saying, "Eh, that is not our community of interest. Our community of interest is Inverell, not Guyra." If you go to the east, there are people in the east in small communities there that have more affiliation with Dorrigo. For us, like my colleague here said, our community is dead against an amalgamation with Armidale because where do they link to?

**Mr DAVID SHOEBRIDGE:** Do they support being chopped in pieces?

**Mr MURRAY:** No. There is a part of the community that does and there is a part of the community that does not. I will leave it at that.

**CHAIR:** We need to stay focused with that answer, if you would like to conclude.

**Mr MURRAY:** Yes. One last point is that, again, we put it to the community in our consultation process, "What is your feeling about an amalgamation with a bigger council—with, say, four of the councils, or even bigger?" The community was not averse to that, if it came to the crunch. But to amalgamate purely as the recommendation is from the independent panel, which is with Armidale, they saw a community of 4,500 people amalgamating with a township—just the township alone I think is 21,000—and that is not a good mix as far as representation is concerned.

**CHAIR:** So it was a desk top project.

**Mr MURRAY:** A desktop exercise.

**The Hon. LOU AMATO:** I have a question for each three councils but I will begin with Armidale Dumaresq. What services, if any, do councils in your region share, or have they shared? How long have those arrangements been in place? What benefits have they brought?

**Mr BISHOP:** As a result, I guess, of the former failed New England Strategic Alliance Councils [NESAC], we work very closely with the Guyra council. We share information technology [IT] services and personnel services, audit services and others. As to the net benefit, I guess that is a question you could put to Guyra. I believe there have been significant opportunities that have been explored there and that would go well beyond that.

**Mr BEYERSDORF:** Could I add one point to that?

**The Hon. ROBERT BORSAK:** Yes, of course.

**Mr BEYERSDORF:** Perhaps it is not 100 per cent relevant, but with tourism we cooperate not only with the three or four councils that are being looked at today but in fact councils to farther north and the whole of New England—Inverell, Glenn Innes, and possibly Tenterfield—so we do have a lot of high country. You might have seen it. Tourism lends itself, of course, to cooperation over a large area.

**Mr STEWART:** That is right. An example of shared services is that the chief finance office is run through shared services, and that flows through to just about anything you can think of in finance, IT and human resources [HR]. But the big part about it that we feel has huge benefit is, apart from that skill set that we can both gain, is procurements. It is in your fleet management. We just purchased three graders—two for Guyra and one for Armidale. That gives you a discount. Those things are just critical. That happens all the time.

The other thing to add is that when you spread it to engineering, you spread it to our roads program. You spread it to any area we work in. We have the same what we call back office. Our whole financial systems and our job costings are all linked. If Armidale does a job with us, we do a job with Armidale, or we share a job together, the flow system through the back office is very simple. Job costing gels together. It basically makes you operationally very effective.

**Mr CONNOR:** I will rattle through a few. One of the main councils that we are actually involved with is not with us at the moment, which is Walcha—the other council of in this area. We have waste and recycling services that we provide to Walcha Council, and that has been a long-running one over a number of years. We have recently shared an audit and risk committee; ranger and enforcement services are shared; we do joint infrastructure and major projects as a group; and tourism, as everyone has spoken about from the New England region. We have a very large community care sector that is done under contract to the Federal Government in the main. We have memorandums of understanding [MOUs] in place with Gunnedah and Glenn Innes councils that are not here. That gives us the footprint of the region, which is a really productive one and worth a lot of money to us.

We are also a member of the Namoi Regional Organisation of Councils [ROC]. It is a long-running ROC that is now one of the pilot Joint Organisations [JOs] as well in which we are members of the water alliance in it whereby we do bulk purchasing among other things at a considerable dollar value. We do plant purchasing, which is the major one. We purchase major plant through those guys as well as tendering for electricity contracts in the main. So we have a heck of a lot intertwined with any number of different councils—small, regional and subregional or full.

**The Hon. LOU AMATO:** Have there been any attempts at shared services in your region that have not worked? If they have not worked, could you let us know why?

**Mr CONNOR:** I think the New England Strategic Alliance Councils [NESAC] is probably the main one, which was there. I think one of the only things that was not added before when everyone spoke about the political side of things—noting that I was not here at the time so a lot of it is second hand—is that certainly it was set up to very much ward off amalgamation and the real structures were never put in place from a governance point of view to make it robust enough. There were too many people with too many masters at different times. People were reporting to their councils some days and to the NESAC arrangement.

**The Hon. LOU AMATO:** Do you recollect what you that was?

**Mr CONNOR:** Sorry?

**The Hon. LOU AMATO:** What you was that?

**Mr CONNOR:** Councillor Beyersdorf, 2006 to when were the years of NESAC?

**Mr BEYERSDORF:** I think the NESAC was 2004 to about 2009 with Walcha resigning first and Uralla resigning soon afterwards, or leaving the alliance.

**The Hon. LOU AMATO:** My last question is: Is there anything councils can do to improve their financial sustainability or capacity?

**Mr CONNOR:** Absolutely.

**The Hon. SHAOQUETT MOSELMANE:** More money.

**Mr CONNOR:** We would be in trouble if we said no to that, to be quite honest, until we are financially sustainable. As part of the process—and there is a big conversation to be had with the Uralla council—we went to our community when we needed to. We meet six of the seven Fit for the Future criteria. We missed probably the most important one, which is the operating result. We went to the community with a range of different options and ultimately came back with a position that over the somewhat 20 per cent of rates that were outstanding we commit to doing reviews of ways to do things more innovatively and to do things with a similar level of service but at a lower cost. That is an ongoing process in our submission. With that we need to first of all look at how we do things and look at the processes behind them.

We certainly need to improve our data to make sure that everything we are putting out there is accurate, particularly from an asset point of view. That can skew things. We made a commitment to look at ourselves as part of that process where we could become more efficient or where we could reduce things from ourselves, looking at regional relationships as well. Ultimately, it needs to come back to the rates. If the level of service is to change, then the income and expenditure have to sit at a similar level. Part of it is making the community understand that that is the case. We would love more funding from the State and Federal governments, that

I think if that is our strategy it is very, very poor if we are just going to sit around and wait for that to fix things through our community.

**Mr STEWART:** To me, that was part of the challenge of this reform. To me, it looks at two things: It looks at the financial right across New South Wales and what opportunities there are, and it looks at, I think, where our future is in terms of local government. Where we found it very, very hard in terms of opportunities is that we could fine-tune it, but in fine-tuning it to meet some of those benchmarks we actually lost some of the services that we would provide. Where is the compromise? Where is the fair play on that? For instance, we provide aged care and we provide preschools. Nobody else will do that. It is not viable as a business, but if you do not have it, your community does not have it. In going through this process, yes, we fine-tune; yes, we did manage to get five out of the seven, but there is a lot of heartbreak in doing that. We actually wonder what that all means at the end of the day.

I hate to say it but to me it comes back to—and I know it has been harped on—fix the funding first because we cannot—I emphasise "cannot"—with what we have in terms of our asset base provide for our road network without assistance. But the other services, if you cull those and if you take those out, the community does not have a lot. In a lot of cases where we had to meet the benchmarks, it became a case of getting ourselves over the line. It was a risk assessment on this. As a rural model, we compromised. We did not like that. We do not believe that that should have been, in a lot of cases, necessary. Yes, financial sustainability is a fair point, but it has to start from a fair base.

**Mr BEYERSDORF:** Just briefly, I know that the Armidale Dumaresq Council has been called moderately sustainable, which is better than some councils or quite a few councils in New South Wales, as you would know. They are not perfect, obviously. Our financial analysis—and our general manager can probably give more details, if required—is that in the short term, if there was to be a full-scale amalgamation of all four councils it would actually be to the short-term detriment, which might be an exaggeration, of this area because we have a big area of delayed infrastructure and an infrastructure backlog, et cetera, et cetera.

Actually, I think that is a danger to us as a moderately sustainable and medium-size regional council. In the short term we would probably go—I will not say that we would go backwards but we would pick up some problems—but certainly many of us, including me, are arguing let us look at the long term; let us look at five or 10 years; let us look at 20 years, or whatever, and not be here in 10 years time with other councils of course having the same sort of review: Why have we not done anything in the last 10 years? I think we should try to look at it in the long term. If we do amalgamate, yes, we will have some short-term problems, although "problems" might be the wrong word, but issues to address on infrastructure and things. But as a regional council comparable perhaps to Tamworth but not quite as big, we will be able to sort of steam forward for the benefit not just of Armidale but of the region as a whole, or the area as a whole.

**CHAIR:** Can I ask you for your qualification? You talk about being acknowledged as being moderately sustainable. Was that under TCorp or the Fiscal Star report? Which one are you talking about with that qualification?

**Mr BEYERSDORF:** I would have to check my documentation.

**CHAIR:** Yes. I just want to know.

**Mr BEYERSDORF:** I think it was TCorp but I will check it.

**CHAIR:** That is okay. I just want to know which report that was. That concludes this session. I apologise that we are running a little bit late in setting up some of the stuff, but it is a very important that we take your evidence and we record it so that we are not sitting here in 10 years to gather the same type of evidence.

**Mr DAVID SHOEBRIDGE:** On what went wrong in New England.

**CHAIR:** We know what went wrong. I daresay I will quote it, and Mr Peter Stewart said it, "fix the funding first".

**Mr CONNOR:** Yes.

**Mr STEWART:** Yes.

**CHAIR:** We know where to fix it. We have just got to get the will of those governments to do it. I thank you all for your contribution. We know that local government is the closest government to the people. I was going to say something else, but that would not be very helpful for my colleagues, given the level of government that we represent. Because of your commitment to your communities and what your communities do, there is no doubt that it is so important. It is not about abolishing local government, which would be the craziest thing to do when you are the hands, feet, mouth and the ears for the people. We thank you for what you do. We thank you for your contribution. Hopefully at the end of this process, we will have recommendations that will be complementary to some of your needs out in your communities. I think some of you took questions on notice. You have 21 days to fulfil that evidence. Some members also may put some questions on notice in the next 24 hours. The Committee secretariat will be more than willing to help you, if you need some assistance. Thank you very much.

**Mr PEARCE:** Thank you, Chair, and thank you, members of the panel, for your time.

**(The witnesses withdrew)**

**(Short adjournment)**

**BRIAN DOLLERY**, Professor of Economics, University of New England, before the Committee via Skype, affirmed and examined, and

**JOSEPH DREW**, Research Fellow in Local Government, University of New England, sworn and examined:

**CHAIR:** Professor Dollery, you are not covered by parliamentary privilege because you are speaking to the Committee from Yokohama. Please be mindful not to make adverse comments that could lead to a defamation case. Would either of you like to make a short opening statement? The Committee would be happy to receive your opening statements as tabled documents.

**Professor DOLLERY:** Good afternoon, ladies and gentlemen. I thank the Committee for allowing me to appear via Skype. I also express my appreciation that a formal inquiry into the Fit for the Future program is being held. I made two submissions to the inquiry, together with a joint submission with my colleague Dr Joseph Drew. Those submissions provide a detailed account of our concerns about serious problems with the Fit for the Future program. In my brief opening remarks I will highlight an aspect of the Fit for the Future program that serves to illustrate the serious problems that afflict it.

The Fit for the Future program is based on assumptions concerning the performance of New South Wales councils. The assumptions derive from the use of performance indicators by various bodies, including TCorp. A big problem with the Fit for the Future program is that those indicators have changed. In other words, the rules of the game have changed during the game itself. For example, in the first instance the 2013 TCorp report provided performance criteria that were used by the Independent Local Government Review Panel to make various recommendations, including for wholesale council amalgamation, especially in Sydney. The first problem is that in 2014 the Office of Local Government changed the TCorp criteria in the Fit for the Future program.

They were applying different criteria even though they were guided by the same recommendations of the independent panel. On 27 April 2015, in a shock announcement, the Independent Pricing and Regulatory Tribunal [IPART] suddenly produced an amended version of the criteria. That was published not long before the deadline for council submissions, on 30 June. Only on 5 June did IPART publish its final performance criteria, which differed slightly from those published on 27 April, which in turn had differed from the criteria published by the Office of Local Government. The game was changing while it was being played. IPART further announced that by far the most important criterion was adequate scale and capacity. To this day, there is no definition of "adequate scale and capacity" and no indication of how IPART will judge it and on what basis it will make decisions. Thank you.

**CHAIR:** Thank you. Dr Drew, would you like to make an opening statement?

**Dr DREW:** Thank you for the opportunity to speak about Fit for the Future. It is great to see a State Government willing to invest in local government, and it should be congratulated for that. However, as a local government analyst I find the empirical strategy for assessing councils to be troubling. For instance "adequate scale and capacity" is the pre-eminent criterion for determining whether a council is fit for the future. We have been unable to find any publicly available robust empirical model that validates the claims made by the Independent Local Government Review Panel. Our modelling, which we have published in a number of highly ranked peer review journals, seems to refute the claims made by the panel about scale. We have published data envelopment analysis [DEA] which shows that 20 out of the 23 proposed municipal amalgamation groups will initially have lower efficiency, owing to the fact that they will be over-scaled.

I also have concerns about the so-called "efficiency" ratio. It does not measure efficiency. The correct method for measuring efficiency over time is intertemporal data envelopment analysis. The efficiency ratio uses preliminary population data that had already been revised at the time that councils were preparing their Fit for the Future submissions. Moreover, because the ratio uses just a single functional unit—population—it seems to suggest that councils do not spend money on business entities or non-rateable entities such as schools and government organisations. It is also troubling that there is no recognition of the cost of maintaining roads, given that that represents about 26 per cent of local government expenditure.

The efficiency ratio attempts to fit a linear trend line to expenditure functions which clearly are not linear. I have provided the Committee with examples of graphs from Hunters Hill and Willoughby. The graphs quite clearly show an umbrella shape; it is not a linear function. I have expressed concerns about the debt ratio.



I have also expressed concerns about the infrastructure backlog ratio. I note that IPART expressed the same concerns in its September 2014 report, which says on page 5:

The infrastructure backlog ratio should be adopted only if it is audited.

I have a general concern regarding the failure of the Fit for the Future metrics to adjust for external constraint. Applying the same benchmarks to every council in the State suggests that the architects of the program believe that councils such as Manly, with 105 kilometres of roads, an average wage of \$87,00 and a density of 3,000 people per square kilometre, face the same challenges as councils such as Penrith, with 970 kilometres of roads, an average wage of \$50,000 and a density of 462 people square kilometre. I cannot accept this implied argument. Ideally, a method such as cluster analysis should have been used to construct different benchmarks for groups of councils facing similar challenges. In summary, I believe that problems such as those I have just outlined could well result in poor decision-making. Given that Fit for the Future is billed as the largest investment ever made in local government, it seems strange that more effort was not made to ensure that decisions were based on robust empirical analysis.

**CHAIR:** Thank you. Gentleman, different reports say that some councils are financially unsustainable. Whether amalgamation is an answer to that is yet to be decided. How should the Government deal with financially unsustainable councils?

**Professor DOLLERY:** Firstly, a problem with the Fit for the Future program is that, prior to introducing the program, the State Government committed itself to look into other sources of income for local government, such as the distribution of local government grants in New South Wales. A careful policy maker would have waited for the results of that inquiry before deciding which council is fit for the future. One cannot say much about Fit for the Future income if one does not know the distribution of grants today. Plenty of good ideas emerged from the independent panel review that could deal with the problem of financial sustainability. For example, one could change the structure of local government grants across New South Wales. The 10-year financial framework is already in place and is working well. That could be made mandatory. Councils could be assisted to properly adhere to the requirements of that framework. There are plenty of positive things to do without bringing down the sledgehammer of forced amalgamation.

**CHAIR:** Dr Drew, would you like to comment?

**Dr DREW:** I have nothing to add.

**CHAIR:** Many councils focus on debt service ratios. Would you comment on the amount of debt a council can take on before it becomes financially unsustainable?

**Dr DREW:** An interesting finding about the debt service ratio was highlighted by a recent study I did of councils in Victoria. I applied the different debt ratios used by the States—such as Queensland and South Australia—including those advocated by TCorp and PricewaterhouseCoopers. Every time I applied a different ratio, I got a different answer to which councils had trouble with debt. It is unacceptable to be in a situation where the answer you get is determined by which ratio you pick and which arbitrary benchmark you use. There is a correct method to use. It is called debt modelling and it uses panel data and multiple regression analysis. It ensures all the variables are included and examines how a particular council's debt changes with respect to those variables. It is a well-known method.

**CHAIR:** Professor Dollery, do you have any comment to make?

**Professor DOLLERY:** No. I agree with Dr Drew.

**CHAIR:** I invite Opposition members to ask questions.

**The Hon. SHAOQUETT MOSELMANE:** Professor Dollery, would you expand your comment that the Government does not have a definition of "adequate scale and capacity"? What is your definition of adequate scale and capacity?

**Professor DOLLERY:** That is like asking "How long is a piece of string?" On 27 April, when IPART put out its methodology report, Dr Boxall was widely reported in the press as saying that it had not yet developed a formal definition but he tended towards using population size. There are many problems with using

population size as a measure of local government. For example, in inner city areas there are many businesses but relatively few residents. Population density is a much better measure of appropriate size. Take, for example, a council in western New South Wales that covers hundreds of square kilometres. No amount of reorganisation or policy engineering will make it sustainable. That is why Australia has a system of plans for councils that struggle.

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**Professor DOLLERY:** So when it comes to defining adequate scale and capacity, it depends with respect to what? There is no such thing as an arbitrary ad hoc definition to that. Scale and capacity with respect to what? Performing services? Providing infrastructure? It is a stupid question to ask in the first place, in my view.

**The Hon. PETER PRIMROSE:** Mr Chair, we cannot find fault with this submission, so we are very happy to give our time to the Government members.

**CHAIR:** We will go to the crossbenches because I am sure Mr Shoebridge will have a few questions.

**Mr DAVID SHOEBRIDGE:** I do, thank you, Mr Chair. Thank you for your submission. Can I ask you about revenue effort and the extent to which the IPART criteria are properly looking at revenue effort and any observations you have about whether or not that should be, first and foremost, something that IPART or anyone is looking at when they are judging fitness? I might start with you Professor Dollery and then go to you Dr Drew.

**Professor DOLLERY:** Revenue effort is a very interesting concept. It is difficult to measure in the first instance. You will recall that there was a Productivity Commission report, I think, in 2008-2009. You would hope that I would remember it since I have made various submissions and, in fact, I have attended their meetings, but I think it was around about 2008 where they looked at revenue-raising capacity and revenue effort and they came up with several different definitions of revenue effort.

One way to look at it is Professor Peter Abelson's method where you relate council revenue raising to some sort of measure of income in a given local government area. He published a paper very recently in the *Public Money and Management* journal—I hope Dr Drew has got a copy of it to show you; he may have made a submission of that to the inquiry. That is a really useful thing to look at. So in my view the best way of approaching the question of revenue effort is to look at income in a given local government area relative to revenue raised by council.

**Mr DAVID SHOEBRIDGE:** Dr Drew?

**Dr DREW:** I agree absolutely and, in fact, we have done some measurement of it. What surprises me, and this is the point that I was trying to make earlier, is that I would have thought if you were about to go out and spend a billion dollars on local government that someone would have actually sat down and done this analysis some time ago. It surprises me that it does not appear to have been done and I guess someone should be asking questions about why it was not done.

**Mr DAVID SHOEBRIDGE:** From your initial look at revenue effort, are we seeing a sort of uniform revenue effort across the State or are there untapped revenue sources that should be looked at pretty much straightaway?

**Dr DREW:** We cover that in—

**Mr DAVID SHOEBRIDGE:** We have lost the professor.

**CHAIR:** Are you there, professor? No.

**The Hon. ROBERT BORSAK:** He has gone offline

**Dr DREW:** We have done the measurements and we have produced the data in various submissions. Some of the councils are extracting one-tenth of the revenue effort that other councils are in New South Wales. It is hardly surprising they will have financial sustainability issues if that is the case. It is the result of having a rate-capping regime that has gone on for almost four decades now.

**The Hon. ROBERT BORSAK:** It has gone on for too long.

**Mr DAVID SHOEBRIDGE:** In your submission you address the unfinished business relating to the proposed removal of rate pegging. I do not mean to put words in your mouth but do you basically say sort out what you are doing with rate pegging first of all and finances and then see about fitness after that?

**Dr DREW:** No-one would go into business and start spending money without knowing what their proposed revenue would be, and this is essentially what we are doing. It is not just the rate capping that needs to be sorted out; the allocation of grants—Financial Assistance Grant program [FAG] grants—is inconsistently applied in every State in Australia despite the fact that we have one piece of Federal legislation that says it should be consistently applied. For instance, road grants in New South Wales, the bill gets split between urban and rural, but they both contain allocations based on population. But population is not associated with the length of road; it is actually inversely correlated at 0.266. The correlation is that the higher the population is the lower your road rate and vice versa.

I have offered publicly a couple of times to help the Local Government Grants Commission in my own time to sort this out. There is a well-rehearsed method for doing it—I have demonstrated it; I am currently collaborating with Professor Rui Cunha Marques in Portugal to develop a non-parametric method for doing it. The empirical strategies are out there; we could help. We have not made any secret of the fact that we can do this stuff. We have been publishing these results about scale of economies and whatnot and no-one seems to be picking up on it.

**The Hon. ROBERT BORSAK:** I see one of the handouts you just gave us. Interestingly, the mean efficiency of amalgamated and non-amalgamated Queensland councils over time seems to show a rather sorry tale for the forced amalgamations that occurred up there. What characterised those failures? We were told yesterday by the Minister that big is beautiful; now we are seeing the opposite coming from this example.

**Dr DREW:** This research has not been published but it is extremely robust and it is the sort of study that should have been done before anyone started talking about if you amalgamate councils they will be more efficient. We amalgamated a number of councils in Queensland—I was up there at the time—and it was a disaster. I now have data from 2004 through to 2013 where I have measured efficiency properly—not per capita expenditure, I have actually measured efficiency—and you can see quite clearly that the amalgamated councils ended up, despite the fact that they started about on par with the non-amalgamated councils at 2007-08 when the amalgamations happened, far below. It is quite clear, but why was this study not done? We have experts, one of them sitting in Yokohama—the most published academic in the world on local government is sitting in Yokohama but is usually in Armidale—and we could have done it. We made representations quite a few times. I have no idea why these studies were not done.

**The Hon. ROBERT BORSAK:** What characterised the failure on those councils as opposed to the amalgamated—just on the main issues?

**Dr DREW:** One lesson that you have to take out of it is that it was a rushed reform process.

**The Hon. ROBERT BORSAK:** That is what we are involved in.

**Dr DREW:** Exactly. I have been through it once, I know how it ends and I can tell you it is not going to be pretty.

**The Hon. ROBERT BORSAK:** It is going to end in tears, is it?

**Dr DREW:** Quite interestingly, TCorp in their acknowledgements clearly say that they relied heavily on the Queensland Treasury Corporation metrics in coming up with the financial sustainability regime.

**The Hon. ROBERT BORSAK:** There is a solid recommendation based on your research.

**Dr DREW:** That is right because there were four de-amalgamations in Queensland. So why you would keep something from the homework of someone who got a B to give to your New South Wales Government is absolutely beyond me.

**Mr DAVID SHOEBRIDGE:** Reinforcing failure.

**Dr DREW:** Yes. What was interesting: I rang TCorp at the time and I said, "Can you tell me how you are putting these ratios together? What summary outlet are you using?" and she could not explain it to me and she said, "We got the software from another source", and, assuming that was the Queensland Treasury Corporation, someone should have been able to explain that. I have got a paper that is about to be published in America which clearly shows that depending on the method you use to stick the ratios together you get completely different answers. It is quite obvious to me.

**The Hon. ROBERT BORSAK:** It sounds like climate change to me.

**Dr DREW:** Don't get me started on that.

**CHAIR:** Sorry, Professor, we lost you there and you have just missed one of the greatest compliments you will ever be paid by your colleague. It is on the record. The time has expired so we will move to Government questions.

**The Hon. CATHERINE CUSACK:** Where do we start?

**CHAIR:** Just while the Government is framing their question, can I just say, Professor Dollery, that you are welcome to look at the *Hansard* at the particular time that you were off air and if you want to contribute to that I would be quite happy to receive your answer in a written form.

**The Hon. CATHERINE CUSACK:** Professor Dollery, in your opening remarks and in your submission you are very critical of what you describe as a shock announcement that IPART had changed the rules in early 2015. We heard evidence from local councils yesterday. I think that the councils were well aware that there was going to be a change and they had been given the heads-up. They said that admittedly the announcement was not made until that particular date but there had been discussion with them for some time. Was it a shock to you rather than the councils when that announcement was made?

**Professor DOLLERY:** No, I disagree with the premise of your question. It was a shock to me and a shock to everybody else. You will recall that the Government announced in its Fit for the Future that it agreed with the need for an expert panel to judge things and then it suddenly, in 2015, changed that to IPART would be the judge and jury in this case. That came as a great surprise to me and it came as a great surprise to Local Government NSW as well, as you can see from the public statements by the chair of that organisation.

**The Hon. CATHERINE CUSACK:** Does it shock you that we took evidence yesterday from Councillor Paul Braybrooks—he is chair of the Riverina Eastern Regional Organisation of Councils. He said that councils had been given the heads-up on that. Does that shock you to hear that a council has said that to us? I am wondering if you can tell me which councils it was that told you they were shocked by that announcement.

**Mr DAVID SHOEBRIDGE:** Point of order: Councillor Braybrooks never gave evidence that there was a heads-up about IPART—never that IPART was going to be the independent body. I think you are conflating two issues. It was not the councillor.

**The Hon. CATHERINE CUSACK:** I think "heads-up" were his exact words.

**Mr DAVID SHOEBRIDGE:** It was not about IPART being the so-called independent body; it was that there would be changes.

**The Hon. CATHERINE CUSACK:** Changes to the criteria. That is what I was going to.

**CHAIR:** I will get the Hon. Catherine Cusack to reframe the question, given the contestation of evidence which we do not have before us.

**The Hon. CATHERINE CUSACK:** The suggestion has been made that somehow councils were blindsided by changes to the criteria. We took evidence yesterday that said that they had been given the heads-up. I am asking: Does that shock you that councils knew or can you tell us perhaps which councils have told you that they were shocked? It seems that whoever you have been talking to was out of the loop but the other councils were given what they describe as the heads-up about the changes.

**Professor DOLLERY:** Your premise is not founded on reality. The Government set out its Fit for the Future program in October 2014 and set out criteria then and requested councils to examine themselves in light of those criteria and engage in extensive community consultation. They started doing that. Numerous councils, as you well know, right across, especially in Sydney where they were more threatened, conducted extensive consultations that cost in the hundreds of thousands, indeed, millions of dollars. Then all of a sudden, instead of the expert panel, IPART is appointed. It sets up proposed criteria on 27 April—remember they were not the final ones—it asks for public consultation, and local government knew all along that the criteria would be changed. Why were the criteria changed? Why were they not set out in the original October 2014 set of criteria by the Office of Local Government?

**The Hon. CATHERINE CUSACK:** When we talk about what those changes were, it looks to me like there were modifications around the time frame and, in some senses, there was more flexibility and more ability—but that is just my view. When you talk about the shock announcement and changing the rules, how substantial do you believe those changes were? Can I just quote to you from Deniliquin Council, which says:

The deadline for the Fit for the Future proposals is supported as councils have been aware of recommendations from Independent Local Government review Panel since September 2013 and have had eight months to prepare business cases and submissions. While the actual templates have only recently been finalised, the issues to be addressed have been evident in the reports and the governments Fit for the Future agenda, so preliminary work was always possible.

They are not in shock at all, are they, Professor Dollery?

**Professor DOLLERY:** First of all, I was not at the hearing when this person made this claim that they were not in shock, so I cannot comment on that. But with respect to how the criteria have changed—Dr Joseph Drew, sitting in front of you—our submission sets out in a table exactly the changes made to those criteria. As you can see from our submission, if you have a look at the table in question, those changes are in many cases substantial. They were made very late in the day. How can you have community consultation on criteria and then the criteria have changed and you have got to re-consult your community? What chaos is that? What kind of public policy-making process is it?

**The Hon. CATHERINE CUSACK:** I think we will just have to disagree as to who was in the know and the degree of modification to the criteria. I will move on. There was an article in the *Government News* quoting you as University of New England economist and government specialist Professor Brian Dollery. Do you have an economics degree?

**Professor DOLLERY:** I beg your pardon?

**The Hon. CATHERINE CUSACK:** I am just asking, are you an economist?

**Professor DOLLERY:** They call me a professor of economics so I suppose you can assume that.

**The Hon. CATHERINE CUSACK:** Would you describe yourself as a political economist or an economist?

**Professor DOLLERY:** My earlier description is in public finance, you can check it for yourself.

**The Hon. CATHERINE CUSACK:** I understand that but I also understand you have written books on political economy so I guess I am wondering, in terms of your branch, are you a mainstream economist or a political economist?

**Professor DOLLERY:** I am certainly a neo-classical economist.

**The Hon. CATHERINE CUSACK:** Thank you for that clarification. In this article, you are quoted as saying, "Savings are unlikely to be made in labour-intensive service provision like garbage collection". I know that Coffs Harbour, Nambucca and Bellingen shires have combined in order to achieve savings in garbage collection and there are examples of that occurring around the State. I also that note that Guyra council has just given evidence that, in relation to water services, and I quote, "The smaller the town, the less cost effective". So I am just wondering if you can clarify that statement that you have made, that savings are unlikely to be made in labour-intensive service provision like garbage collection.

**Professor DOLLERY:** There is an immense amount of literature and there is empirical research on the question of scale economies in local government. Indeed, my book of 2012 *Councils in Cooperation* looks at that. Two chapters are devoted to that. There are lots of tables and so on that the inquiry might want to have a look at that evidence. Scale economies are service specific. Say, for example, you have, you can look at scale economies across different services. You have to look at them per sector or per activity. There are scale economies in water obviously because the capital intensity of water is so high. There are scale economies in garbage, when it comes to dealing with garbage, not so much collecting garbage. Because obviously, the more households and more businesses you collect garbage for, you can say one-on-one type places, the labour intensity of garbage collection, there are not significant scale economies. On the other hand, where you dump garbage and you have a waste disposal unit, of course you have got a shared facility there.

One way of going in scale, where there are scale economies—I have written at length on this matter, at length on this matter—is through shared service arrangements. Indeed, one of the recommendations of the independent panel was for joint organisations to be set up, much like the current Regional Organisation of Councils [ROC]. I fully agree with that recommendation, because that will enable local government to enjoy scale economies of those services where they exist but nevertheless, maintain political independence and offer services where there are no scale economies independently. That is rational conduct, from my point of view.

**The Hon. CATHERINE CUSACK:** So are you saying that there is no saving in terms of collecting garbage but that there is saving in disposal of garbage?

**Professor DOLLERY:** That is what the empirical evidence says. I invite you to have a look at the chapter in *Councils in Cooperation*, 2012 Federation Press, Sydney.

**The Hon. CATHERINE CUSACK:** I will come to that in a moment. It just seems to me, garbage trucks that collect waste need to get rid of that waste, that you cannot disaggregate the collection of waste from the disposal of waste. They do it in a holistic, simple operation. It is not possible to just collect garbage; it has to be disposed of. So isn't it disingenuous to try and separate them as two separate functions when, in fact, the collection and dumping of waste is, in fact, one operation? I note my colleagues here are laughing, but the statement you have made is that a labour-intensive service such as that will not have any savings and so, it is a very misleading statement, given that you have only talked about collection, not disposal.

**Professor DOLLERY:** In the first place, just a point of information here: In New South Wales almost all garbage collection is done—say in Armidale, for example—is done by private garbage contractors who charge a specific price to council. So whether or not there are scale economies there makes no difference from the point of view of most councils because most councils do not themselves collect garbage, they hire independent contractors, commercial contractors. So the question is largely redundant.

**The Hon. CATHERINE CUSACK:** On your book, *Councils in Cooperation*, the reviews I read of it say it is an alternative method of reaping the benefits—this is said of your book and perhaps this was authored by you, but I do not know that. But your book is described as being: "An alternate method of reaping the benefits of scale, scope, specialisation and size in local government but without all the deleterious effects of forced council mergers, shared services"—which is what you are arguing—"offer significant promise for local government. The authors present a cogent case for policy makers to pursue shared services arrangements in selected areas of policy provision so as to reap the benefits which can flow from larger scale and greater specialisation". My question to you is, you appear to recognise that there are economies of scale and that there are benefits in going down that track. Your disagreement primarily seems to be on whether it is done via amalgamation or via shared services. Can you comment on that?

**Professor DOLLERY:** Yes, I can comment on that. It was the case that you aggregate councils—you add, you take four, five, six, seven councils, add them together and you get lower unit costs—and that is invariably empirically the case—then you run an argument for amalgamation. But the evidence does not say that. In fact Dr Drew said in front of you he has done exhaustive work, empirical work, across Australia. You look at Queensland, for example. Sometimes you get over-scale councils, which you might want to address, the inquiry, in a minute on his paper which uses those things. A rational and economically rational way of approaching the problem is to examine on a service-by-service basis, where there are scale economies, and where there are scale economies you offer them, on a regional or joint basis, much like is done, for example, by Sydney Water presently in Sydney.

The big scale economies in water, well everybody knows that, and that has been taken into account and that is where the separate entity is jointly providing water to other greater Sydney areas. The same is true with Hunter Water. That is a rational way of dealing with things. But when it comes to fixing potholes in roads, we know there are not scale economies, so it is stupid to aggregate across councils, because you get larger and much more expensive bureaucracy. One of my submissions to the inquiry was that Brisbane City Council—by far the largest in Australia—we compared its performance on four criteria against other councils, including New South Wales councils. And you might want to have a look at that paper because Brisbane does not feature well and it is by far the biggest council in Australia. So if your argument was bigger is always cheaper, have a look at that paper because it is not correct. It does not fit with the facts.

**CHAIR:** Order! I did give an extra question to you guys and I would like to give one to Mr Shoebridge and one to Mr Borsak and then I think we will be aiming for lunch.

**Mr DAVID SHOEBRIDGE:** Dr Drew, rather than shoot the messenger, I thought I might listen to you. You have given this series of efficiency ratio graphs, and I am sorry professor, you may not have got them but they are the efficiency ratio graphs for Willoughby, the Willoughby leverage, the Willoughby local maximum for Hunters Hill and the like. Could you please talk me through those graphs and tell me what we should take away from them?

**Dr DREW:** Yes. It is unfortunate that the school children are not here because I can vividly recall, a decade or so ago, teaching linear regression to a Year 10 class and I can only assume that the people who came up with this method were not in my Year 10 maths class. Because, as you can clearly see, it is an inverted U, it is not a straight line. I plotted a straight line on top of it and, in fact, that is the straight line that the Fit for the Future spreadsheet calculates. It explains .11 per cent of the data. Very helpful. If you drop the first data point by just .5 of a per cent, you get the complete opposite answer. All of a sudden Willoughby is Fit for the Future, when they were not before. However, if you turn to the next graph, figure 4, and increase the third year, which is the year where the prepayments were done, the FAG prepayments were done and increase it to something ridiculous, like \$20 million per capita, it makes no difference to the answer. It is completely unstable and, as I said, very disappointing that the students were not still here because they could have explained it.

**Mr DAVID SHOEBRIDGE:** I take from that—

**The Hon. CATHERINE CUSACK:** The sarcasm is really—

**Dr DREW:** From you?

**The Hon. BEN FRANKLIN:** Point of order:

**CHAIR:** Clarification of your question, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** The straight line there is applying the Fit for the Future modelling.

**Dr DREW:** Yes.

**Mr DAVID SHOEBRIDGE:** And what you are saying is that you can have wild changes in the data and they have random outcomes on the Fit for the Future modelling, is that so.

**Dr DREW:** Yes, that is right. Depending which data points you change, it will either make no difference or you can change it by a miniscule amount and you will get a completely different answer. You have got to remember that that fifth year, that final year of data, we were using preliminary figures from the ABS. That is what is embedded in that spreadsheet. It clearly is labelled, "preliminary, may be subject to revision". That was the label the ABS has on those figures. They had already been revised at the time that the councils were using this piece of software to submit their proposals. And a lot of the revisions were well over one per cent. You have also got to remember that in non-census years, the population data is just an estimate anyway. There is a study I cite there showing that the estimates can be—

**Mr DAVID SHOEBRIDGE:** Very unreliable.

**Dr DREW:** Yes, the ABS admits it and of course it is going to be because what they do is, they take the census figure and they use changes in Medicare and electoral roles and things like that to adjust it. I do not

know about you guys, I was living down here for a year or two before I got around to changing—perhaps I should not be saying that—before I got around to changing my records. So clearly, they are going to be wrong. And then, of course, you have non-residents. In a place like Armidale we have got foreign students from overseas. That is all going to throw it out. So, it would be okay if it wasn't so sensitive but I can change your answer completely by moving something minus point five per cent. It is just silly I am afraid.

**The Hon. ROBERT BORSAK:** What you are basically saying is, is that a fault of the modelling itself, of the models that are being used, the econometric modelling?

**Dr DREW:** This is not econometrics, this is not efficiency. Efficiency is how you convert inputs into outputs. There is a proper method for doing it. It is called data envelopment analysis. If you want to do it over time, you do intertemporal data envelopment analysis. We could have done it and, in fact, we have done it and no-one seems interested. But I think this is not debatable that it is not a straight line.

**The Hon. ROBERT BORSAK:** Are you aware of—this has obviously come from your background looking at Queensland. Are you aware of any similar sort of study work done on a, I think 10 years is a really good timeframe to be looking at and you cannot dispute that, for any of the past mergers in New South Wales? Is there any data around that gives us any joy?

**Dr DREW:** No.

**The Hon. ROBERT BORSAK:** Because a lot of the evidence we have been getting from various councils that have been merged in the past, some have been saying it has all been very successful and it has all worked out really well. But no-one has ever actually put any numbers on the table to show them support, those contentions.

**Dr DREW:** There is a very good reason why governments do not do their empirical study afterwards. Because if the results do not show that your proposed efficiencies actually came up, you are going to be in a difficult political situation. My question about these efficiencies and these economies of scale, if you can keep—and you do not seem to quite understand the concept—if you can keep making councils bigger and bigger and bigger and it gets cheaper and cheaper and cheaper, well I have got a suggestion: Why aren't you amalgamating all 152 councils into just one? You will get massive economies of scale.

**The Hon. ROBERT BORSAK:** It is coming.

**Dr DREW:** There are 590 councils in Australia, why don't we amalgamate the whole lot?

**The Hon. ROBERT BORSAK:** That is coming too.

**CHAIR:** Thank you for your input there and your humour on that matter.

**Mr DAVID SHOEBRIDGE:** And thank you for explaining intertemporal DEA.

**CHAIR:** I remember, one of our last witnesses actually talked about merging Queensland, New South Wales and Victoria, so where do you stop? I think the humour in that was well pointed. We are trying to get back to Brian Dollery but our time has concluded for questioning. You do have 21 days to answer any questions on notice. Some of the members may put those questions to you. Professor Dollery, we are on the home straight. We are just finishing up. If you have got questions on notice, you have 21 days to give them to the Secretariat. They are more than happy to help you both, in terms of any assistance you may need. There may be some questions that are put on notice in the next 24 hours by members of the Committee. I thank you both for your time and your input. It certainly puts another torch on the whole Fit for the Future assessment. So we thank you for your expertise and we appreciate your time and know it is valuable.

**Mr DAVID SHOEBRIDGE:** If the professor has any observations on the evidence which he was not online for—

**CHAIR:** Yes. I am sure *Hansard* will be able to do that technically, the timing, to appropriate transparency. Thank you. We are going to adjourn for lunch and we will be back with the Clarence Valley and Nambucca and Coffs, Bellingen Shire councils.



CORRECTED

**(Luncheon adjournment)**

CORRECTED

**SCOTT GREENSILL**, General Manager, Clarence Valley Council,

**STEVE McGRATH**, General Manager, Coffs Harbour City Council,

**COUNCILLOR RHONDA HOBAN**, Mayor, Nambucca Shire Council, and

**MICHAEL COULTER**, General Manager, Nambucca Shire Council, sworn and examined:

**CHRIS HODGE**, Chief Financial Officer, Bellingen Shire Council, and

**COUNCILLOR MARK TROY**, Mayor, Bellingen Shire Council, affirmed and examined:

**CHAIR:** Good afternoon. Welcome to the local government inquiry. Would anyone like to make an opening statement? If you do, we are aiming at two to three minutes. If you need to go longer, we ask that you table the document and then it can go on the record if need be.

**Ms HOBAN:** Nambucca Shire Council is very supportive of the concept of reform. We were both pleased and excited at Destination 2036 in 2011. Prior to that occurring, our council recognised that we needed to do something about our financial sustainability. What we started with was looking internally as an organisation. That was the first thing that we needed to do—our own processes and the way we delivered services. We quickly learned that we needed to do that in consultation with our community and look at levels of service and offer choices to our community. We are supportive of the proposed joint organisation [JO] for the northern region of our area, which is Clarence, Coffs, Bellingen and Nambucca. Our own council's view, however, is we would like to see the JO extended beyond the higher level strategic matters, because we think that we are potentially missing an opportunity for some service sharing at that level. That is basically all I wanted to say.

**Mr McGRATH:** I have some notes here, but I will cut it down. First of all, thanks for the opportunity to present to the Committee. Our council at Coffs Harbour is the custodian of just over \$2 billion worth of assets, noting that we deliver general purpose, water and sewer services to our community. Over the last 10 years or so, council has injected approximately \$300 million capital into its water and sewer infrastructure, resulting in our community having access to first-class treatment infrastructure and processes and going a long way to drought-proofing our city. Council's consolidated annual expenditure is in the vicinity of \$250 million. The Coffs Harbour local government area contributes just under \$3 billion towards gross regional product and our unemployment rate is within a couple of points of the national average.

Whilst I believe it is fair to suggest that Coffs Harbour is considered somewhat as the regional service centre for our region, which includes Bellingen, Nambucca and Clarence, the elected council has not turned its mind to the consideration of merger or amalgamation options per se, particularly given that the final report of the Independent Local Government Review Panel suggested that our council and our neighbours, for that matter, have sufficient scale and capacity. As Mayor Hoban has indicated, the four councils within the North Coast JO have worked together to develop an initial proposal for consideration as a pilot joint organisation. On being advised that we were, unfortunately, not successful, the mayors and general managers met again and we actually made a second attempt to try to join and see if there was some additional funding.

To be honest, we saw some flaws in the original allocation of JOs, which I will not elaborate on. But at least to this point in time we have not been successful in securing a JO. Therefore we have been somewhat reluctant to go down a path that may not be in line with the way the pilot JOs go. Coffs Harbour City Council's submission to the Fit for the Future process in summary will see council attain achievement in five of the Fit for the Future benchmarks with the remaining two being "building and infrastructure asset renewal" and "asset maintenance ratio", noting that both of these benchmarks are demonstrating strength and improvement in line with the sorts of parameters that Independent Pricing and Regulatory Tribunal [IPART] have indicated they are looking for.

In short, we expect that IPART will indicate that our submission will generally meet the Fit for the Future criteria outcomes. I think it is important to note that council's ability to place itself in this position of strength comes about as a result of deliberate strategies that have been developed in recent years aimed specifically at ensuring that our organisation is financially sustainable into the future. Finally, council did make a brief submission to the Legislative Council General Purpose Standing Committee No. 6 inquiry into local

government in New South Wales, but our submission was primarily about the appropriateness, perceived or otherwise, as to some of the benchmarks that are being utilised in the IPART assessment at the moment.

**Mr GREENSILL:** For starters I put in an apology for Councillor Richie Williamson, the Mayor of Clarence Valley, who could not be here today. By way of background in regard to the Clarence Valley, we are one of the few councils around that has been through an amalgamation experience. In February 2004 the merger happened between Grafton, Maclean, Copmanhurst and Pristine Waters, as well as a couple of utilities, being North Coast Water in the Clarence River County Council. The formation occurred with very little deliberation. There was a fax received, all the councillors were sacked and effectively an administrator started the next day with an interim general manager. There was no financial support nor were there guidelines for the councils to follow, so the processes were basically a case of "have a go; see what you can do".

In conjunction with the limitations in the workplace with regard to financial support as well as clear direction, there were also legislative restrictions imposed in regard to no forced redundancies within three years and also the requirement to maintain localities at certain staff levels as well. So the council had to reform on the basis of these particular frameworks occurring. It has been a long process for the Clarence Valley to get where it has got. They have had to take a very strong strategic approach to move into the area we are in now, which is clearly showing that, in the Fit for the Future criteria, in time we will become sustainable.

A lot of our problems relate to the consolidation of assets which were accumulated as a result of the amalgamations. The situation is similar to Coffs Harbour. We maintain approximately \$2 billion worth of assets. In our case, because of the amalgamations, we have the situation where there is a lot of duplication, triplication and so forth of assets. A good example of that is swimming pools. In our area we have six swimming pools for a population of 52,000 people. If you were to create a council from scratch of that area you would not build six, but we have inherited six and these are services that are provided which we now must manage and fund into the future.

The key outcome for Clarence has been the capacity to have the economic ability to fund large projects on a broad scale by bringing it all together. As examples, we now have whole of catchment and river approaches on planning issues, dealing with things such as the environment, tourism, recreational and events management on the river. We are also looking at our community services facilities, being libraries, community centres, sporting facilities and the like. From an assets point of view and building up critical assets, we recently received an \$8 million grant for a library in Grafton which we most likely would not have received if we were not of the size we are now. In conjunction with that we also have a regional based waste facility now worth \$10 million which we inject into. The big area has been in major infrastructure such as the Shannon Creek Dam which we share jointly with Coffs Harbour, which is a \$180 million capital outlay. In conjunction with that, the council has invested up to around \$160 million in the upgrade of a variety of sewerage treatment plants to bring them up to specifications.

We are in the throes of our last one at Yamba at the moment to bring it up to the standard so all of our plants across our entire region, which comprises the four main towns and 44 villages, have state-of-the-art infrastructure in that regard. The consolidation of workplaces has been a major issue because we are bringing staff together. When I first started at the council back in 2011 there were 50 work locations scattered across the area with 660 staff. We are now working at consolidating that footprint. This is all part of the change processes that we are going through. Again, another key area in asset management is obviously to rationalise the assets to reduce the cost and the burden that that incurs—and that ratepayers incur—as a result of having to maintain that level of assets and facilities.

In regard to Fit for the Future, similar to all the councils being represented today, we were not identified for potential mergers. However, we were identified as part of the North Coast JO. We have been actively working together on that. From our point of view, we approached it from the position of not being merged, so our submissions were all based along the lines of: "What do we have to do to become fit for the future?" We have been implementing a strategic organisation action plan since 2012, which fits on top of the Fit for the Future program anyway, so we are really well advanced. All indications are that we will meet the criteria in sufficient time to satisfy the IPART requirements.

What we have noticed, however, is that one size does not fit all. Demographics and geographics have to be looked at and have a huge influence on the ability to achieve sustainability in a council. Each council needs to be looked at in the combination of those as well. As I said, we are going through our restructuring, we are looking at our rationalisation, and we believe that in time we will be fit for the future. We had no problems

meeting the deadlines that were put in. We are in a process at the moment of "wait and see" in regard to the outcomes in accordance with the joint organisations as to what parameters and requirements are being put to us at that stage.

**Mr TROY:** Thank you and the Committee for inviting Bellingen Shire Council to speak here today. Our council recognises that the Fit for the Future reform process, providing that it is done with clear consideration, is a once-in-a-generation opportunity to redefine the future of local government in New South Wales and that this is most effectively achieved by a partnership between State Government, local government and, of course, our communities. We strongly believe that rural councils operate in an environment of relative disadvantage, and not just within the Socio-Economic Indexes for Areas [SEIFA] index. We are in the top 50 there.

We are also of the view that this is not being effectively considered by the reform process. Within that, we are subject to the same grant distribution process as our city cousins, but 50 per cent of our shire is not rateable. We advocate that other levels of government should pay their way, especially where there are income-producing opportunities or competition in a commercial marketplace as is the case in other States such as Queensland and South Australia. In addition, New South Wales is the only State subject to rebating pensioner concessions, which imposes a further cost burden, particularly given our demographic. That would be much the same for my colleagues here.

Whilst we carry the cost-shifting burden of all councils, which in our case is around \$1 million a year to us, we do not have the income-generating capability of city councils. Our infrastructure burden is a key challenge. Twenty-nine per cent of the infrastructure backlog across the State is carried by the councils of the mid North Coast. In our specific case our climate is of note. We have had 13 declared flood events in the Bellingen shire since 2001. Natural disasters and our climate mean that it costs us around 25 per cent more to maintain our infrastructure. That would be very similar for my colleagues. Our infrastructure provision and community burden means that we maintain 145 bridges. Eighty of those are timber bridges. We are concerned that the assessment criteria does not account for localised issues and is primarily based on financial ratios with limited consideration given to community representation and impacts on communities of interest, local values and prioritised local issues.

Bellingen council advocates that it is a willing participant in the joint organisation. We have applied twice, as you have heard, to be a pilot and maintain a watching brief. We are an active participant in our regional organisation of councils [ROC] and have driven a focus on shared services through a regional assessment process. We support the notion of one region but different communities. We are firmly of the view that there is a real opportunity for councils to achieve the potential benefits of mergers without losing local identity or local representation through shared servicing. We are a member of a proactive group of mid North Coast councils pursuing this objective. Lastly, we remain concerned with the hurried nature of the assessment process being carried out by both the Independent Pricing and Regulatory Tribunal [IPART] and indeed this inquiry in that a reform of this kind needs to be deliberate, informed and truly consultative within an environment that is increasingly acknowledging the notion of deliberate democracy.

**Mr COULTER:** In relation to Nambucca the only point I will make is that the councils on the mid North Coast face many similar issues. Mayor Troy talked about timber bridges. That is obviously a big issue on the mid North Coast. At Nambucca we have got 170 timber bridges. Clarence Valley equally has got a lot of timber bridges although not so much cost because it is more of a city centre. We also suffer similarly from natural disasters. The area does receive a lot of high rainfall events. Both Nambucca and Bellingen and to a lesser extent the other councils suffer from natural disasters. In particular we also have landslips in Bellingen. We spend a lot of money providing levels of service to our ratepayers. I think the mayor and Mr Greensill touched on the issues that we have with service levels and changing those service levels and at the same time meeting community expectations.

Just in terms of our revenue capacity, what Mayor Troy said I think is equally applicable across pretty much the whole mid North Coast region. We in Nambucca have a Socio-economic Indexes for Areas [SEIFA] ranking of 10. I think Kempsey just to our south is about 9 or 8. We have a very high proportion of retired people and pensioners on discounted rating arrangements. We also have very high proportions of unrateable land. I suppose the point we would be making is that we have a lot of constraints on the operational cost side but equally we also have a lot of revenue constraints as well. For all of the councils it is a matter of meshing those two.

**CHAIR:** We note one of the challenges for local government is pensioner rebates and the part that will play with an ageing population. That is just one issue of revenue constraint that is probably going to increase, never mind lifting it up to be consumer price index friendly. Anyway, that is a debate for another day. Mr Greensill, do you know what the surplus or loss is on your six pools annually?

**Mr GREENSILL:** Specifically off the top of my head, no, I do not.

**CHAIR:** Is there a loss?

**Mr GREENSILL:** Yes, absolutely.

**CHAIR:** Half a million, or a million?

**Mr GREENSILL:** Half a million plus.

**CHAIR:** You talked about waste management. Is that section 88 affected? Is the waste levy collected?

**Mr GREENSILL:** No.

**CHAIR:** You are exempted from that?

**Mr GREENSILL:** Yes, we are.

**CHAIR:** One of the issues we are finding is that the formulation of your application to IPART basically uses the terminology depreciation and there is elasticity of such a term in local government. Will you make an observation about that and whether you think there is a better way to address depreciation values?

**Mr McGRATH:** It is a specific project that we have been working on in the mid North Coast region. Coffs Harbour took the lead I think it is fair to say. In many ways we seed funded the initial part of the process but the other councils have joined in and financially supported the project. Clarence Valley to our north joined us because they are not technically in the Mid North Coast Regional Organisation of Councils [MIDROC] region. It has been a project that is designed to look at whole-of-life costing of assets across the region, to look at useful lives, to look at depreciation rates and to start to look at unit rates for capital works amongst the asset categories. The aim has been to take as much as possible a regional approach to all of those issues and get some consistency in the data. I think you will find many of the submissions from the 152 councils across the State would reflect on the inconsistency when you look at the asset base of individual councils and how they look at all of those terms that I mentioned a minute ago.

We are at the point now where as a result of going through the exercise I can talk about cost. Through our assessment management strategy review and looking at all of those issues—useful lives, depreciation rates, et cetera—we are at the point of being able to prune about \$4.5 million off our bottom line. I think there are some similar results for the other councils who are working through that exercise with us. We are at the point now where we are about to take the matter to the Office of Local Government to try to see if we can get the Office of Local Government to recognise our approach. Our auditors have been in on it with us as we work through it. They have generally supported us but they are saying the Office of Local Government now needs to take a stand. It really forces us to take a different look at special schedule 7, which is—I cannot think of a good technical term and I am reluctant to use slang. It just does not serve any real purpose.

**The Hon. CATHERINE CUSACK:** Try the slang.

**Mr McGRATH:** "Dog's breakfast" is the best way to look at it. That is a project that we have been working on now for about 12 months or just under 12 months. On the face of it, it is producing some really good results. From an asset management perspective one of the prime things that we are looking at is what we call dashboards for the various asset categories. It is really a good, useful means by which to tell the story to our communities too. It takes a lot of the technical jargon out of it.

**Mr DAVID SHOEBRIDGE:** For example, special schedule 7?

**Mr McGRATH:** Yes.

**Mr DAVID SHOEBRIDGE:** You are going to explain to us what that is.

**Mr McGRATH:** It is part of the financial statements that are provided with the special schedules and it is meant to look at the infrastructure backlog.

**Mr DAVID SHOEBRIDGE:** Does that include depreciation?

**Mr McGRATH:** Yes, but every council takes a different approach to how it categorises the infrastructure within that special schedule. That brings about a lack of consistency and an inability to look at things from an even keel perspective right across the State in many ways. There will be some differences but as long as your asset management plans and your dashboards can describe those localised differences it still can be a very useful, consistent tool.

**Mr DAVID SHOEBRIDGE:** Do you now all have a consistent approach to depreciation? Is that the purpose of this on the mid North Coast?

**Mr McGRATH:** It is getting there.

**The Hon. CATHERINE CUSACK:** But roads depreciate differently in different areas.

**Mr McGRATH:** It depends on the useful lives and it is all about how you then define useful lives.

**The Hon. CATHERINE CUSACK:** On the coast it is a lot shorter.

**CHAIR:** It can depend on the water, rainfall and how the road is built. Your contractor might be very good or very bad and that affects your road.

**Mr DAVID SHOEBRIDGE:** And a flood can depreciate a bridge in one year.

**CHAIR:** That is what I am saying. I mean, in Coffs Harbour how many floods have you had in a couple of years?

**Mr McGRATH:** We are used to it. It is like daily breakfast.

**Mr GREENSILL:** The basis that we see particularly with asset management itself—and we have been working for about three years on reviewing our assets and getting the valuation data accurate—is that a lot of it has been set up for the purposes of accounting, not strategic management. The accounting side of things is simply to get the approval through the auditor with the methodology, but when you start to put it into a strategic sustainability framework you start to realise that your over expenditure actually inflates your costs quite dramatically. In our instance we reviewed our entire asset framework about 18 months ago just by looking at the methodologies, the useful lives and so forth. We reduced our annual depreciation from \$40 million to \$27 million in one year. That is just getting the methodology changes and the useful life.

We have since combined with both the North Coast councils as well as the Northern Rivers Regional Organisation of Councils [NOROC] that is doing exactly the same. We are still up in the middle between the two areas and we are trying to get that common methodology. This is one of the problems, I suppose, when you start assessing councils by using a common methodology base like the Fit for the Future or some other basis that has happened in the past. When you do not have consistent methodologies you are not comparing apples with apples. A council can be quite liberal in the way it sets its methodologies up and will get a completely different outcome to another council of equal comparative. That is a real problem particularly when it comes to working out what is in and what is out because you are not comparing apples with apples under the current framework.

**Mr TROY:** It is also about setting a realistic standard, working with the community to set what we consider to be a realistic standard. For instance, an example I could give is not so many years back council replaced an old two-lane bridge with a new concrete two-lane bridge. There were three properties on the other side of that bridge—one-lane bridge. By working with the communities there must be considerable savings there.

**Mr McGRATH:** By all means I am happy to take it on notice. There are some papers that have been distributed among the member councils that are party to the project. I can lay my hands on those fairly quickly for you.

**The Hon. PETER PRIMROSE:** Thank you. The submission I have in front of me is from Nambucca Shire Council. I might ask some questions but then invite anyone to answer. About halfway down the second page it states:

However it seems that the promised reform has dwindled to Joint Organisations and the possibility of forced amalgamations. We are not convinced that merging cash-strapped councils to achieve "scale and capacity" is going to solve financial woes. It may well only produce cash strapped mega-councils. Forced amalgamations have occurred in both Victoria and Queensland but we don't see them held up as shining examples of financial sustainability.

I was wondering if you could just talk to that or elaborate on that?

**Ms HOBAN:** As I indicated at the very start, we were excited about the possibility of reforming local government, and that was evident in Dubbo; there was consensus that reform needed to occur. Ultimately this was about financial sustainability. I have my doubts that in rural and regional Australia we are ever going to have the population to be able to fund the network of infrastructure and services that are required by our communities, but those communities are productive areas that in turn support our cities. I do not think we are ever going to be able to say, "We are completely fit for the future. We are a stand-alone council and we do not need any assistance from anyone." I also doubt that is going to be the case in either a joint organisation or an amalgamated mega council because, as you have already heard, we all face similar problems, we all have massive networks of roads, we all have relatively low Socio-Economic Indexes For Areas [SEIFA] rankings, so that is what I meant by two cash-strapped councils not necessarily solving the problems.

We do believe, however, that there are opportunities with the joint organisations [Jos] at this stage that are being missed. The descriptions and detail I have heard about JOs is that it is high level strategic planning and that sort of thing. I think we have probably let go of an opportunity that was there in the beginning when there was all that enthusiasm, to look at sharing services. It is not going to be a one size fits all. What works as a shared service arrangement perhaps in a metropolitan area or in another regional area will not necessarily work for us, but we have already found that there are some things that we can share and that we can either provide a better service for similar money. It will not always be a situation where everyone is going to win. One of the big hurdles I see is letting go of control, taking that leap of faith, but my personal view is that in the future it has to happen.

I will say one thing on assets, and TCorp results and the bottom line, and special schedule number 7, and looking at depreciation and all the rest of it. I do not care what kind of creative accounting you use or how you interpret special schedule 7, or how you apply depreciation, at the end of the day our asset management will be judged by our community and the roads and bridges that they travel over. What we really have to find is their tolerance level. Our community knows we are not a well-off community, so they probably do not have the same expectation. This is another issue where there are differences between councils. Our council may not have an expectation or a requirement for the same level of service as perhaps a wealthier area. They have a limited capacity to pay so they are happy to find a balance with what they can afford to pay. They have an expectation that their council, the JO—or whatever the organisation is—will provide the best possible value for money at that rate of pay. For me, it is more about identifying the level of tolerance and funding that rather than creative accounting.

**Mr DAVID SHOEBRIDGE:** That is what another councillor was saying. It is about finding out what your community is satisfied with. I know that the Hon. Catherine Cusack wanted to know if you built a two-lane bridge or a one-lane bridge.

**Mr TROY:** It was a former council, I hasten to add, and it was a two-lane bridge, but my point is it should have been a one-lane bridge with a give way sign.

**Mr DAVID SHOEBRIDGE:** And that is about understanding your community's expectations and properly pitching it.

**Mr TROY:** Mr Chairman, if I might comment very briefly on shared services?

**The Hon. PETER PRIMROSE:** My next question was going to be shared services and people's views on shared services as opposed to joint organisations. I am happy to hear the views of all people.

**Mr TROY:** We are actively exploring opportunities of shared services within the proposed JO, that is the four councils that are here today, but we are not restricted to that, and we understand that. We will look further afield. There is no reason there could not be a back-of-house shared service with Gloucester or a council anywhere in New South Wales, for that matter.

**CHAIR:** Does anyone else have a comment on shared services?

**Mr GREENSILL:** We take the view that there has to be a clearly demonstrable advantage with shared services. Geographically our area constitutes about 71 per cent of the land mass, so there is a distance between Clarence Valley or Grafton, in particular, and our neighbours to the south. Therefore, getting potential benefits would have to be in consideration of distance and duration. Having said that, we are well and truly part of the process of assessing the benefits, but more so at the high level of where collectively the councils can come together. The success of that will come about, I believe, through the Government structures that are in place and the individual elected councils to achieve that outcome.

**Mr COULTER:** Mid North Coast Regional Organisation of Councils [MIDROC] did some work 12 months ago and employed KPMG to look at the potential for shared services across our eight councils, and KPMG's best estimate from, admittedly, a limited data set was potential efficiency savings in our operating costs of up to 10 per cent. Nambucca Shire Council has financial sustainability issues and we are keen to explore that potential 10 per cent saving. At the end of the day we understand that to achieve some of those savings we may well think it is easier to be involved in an amalgamation but it means, obviously, the creation of other entities and for my council agreeing, too, for the greater good, to have internal services outsourced.

**Mr McGRATH:** I support everything that has been said. We have taken what can be considered a slightly different approach inasmuch as our Fit for the Future strategies include a suite of things that have been looked at. One of them is an internal reorganisation. In fact, we are trying to move the organisation to a totally different operating environment. It has financial targets associated with it. Our approach has been very much one of making sure that we have a lean and efficient organisation so that when we come to the table to talk about shared services, we can do so knowing that we are not offering up cream—if I can put it that way—into some other pie. I guess we learnt that from a lot of reading but also from a small study tour that we did in 2012, which opened our eyes to some of the austerity measures in the United Kingdom by the councils that had done things successfully compared with those that had just simply outsourced and let the cream go to private companies. We are keen to look at it and that can be in the context of shared services and looking at a whole range of different options down the track.

**Mr DAVID SHOEBRIDGE:** Mr Greensill, once you have an amalgamated council you have a series of hard decisions to make. You highlighted the six pools and the different work sites. When you came to council in 2011, there were still 50 work sites; is that right?

**Mr GREENSILL:** That is correct.

**Mr DAVID SHOEBRIDGE:** How many are there now?

**Mr GREENSILL:** We are down to about 47. We have plans to reduce that into the mid-30s. We are currently in the process of doing that now. Similar to costs, we have been working on restructuring for three years. We had to basically start with the senior structure. There was a council election in 2012. We had to wait to get through that period. We basically structured our entire structure at the top level. From that we have also done substructure reviews in the entire organisation. We are in the process of realigning it and bringing it together. The main focus for me is Grafton. There were 10 work locations; we are now down to eight. By the time we finish the process, it should be three. It is about consolidating the footprint and bringing the parity and the commonality of staff back together which has been a real problem and it creates an excessive financial burden to carry in the organisation as well.

**Mr DAVID SHOEBRIDGE:** In respect of where the work sites are located, you will get larger work sites in bigger areas such as Grafton and some of the more outlying ones, which are small, will have to be rationalised in that process as well. It is rationalising within Grafton but also rationalising across the council areas. Have both of those things been happening?



**Mr GREENSILL:** Yes. Geographically, when you look at the demographic dispersion in Clarence, you have got an up river, down river type arrangement where you have Grafton and surrounding areas, which is Pristine Waters and Copmanhurst area. Down river you pick up your McLean area as well as the water. There are two clear areas there, so we are looking to maintain service delivery but to bring those areas together. There were problems with back-of-house services being done in two locations when they really can be done in one. Where we have technology to support, for example, mechanics or rates, or those types of things, there is no need to have those in both directions because they can be in a central location. There is a lot of work to be done for what is needed for customer service delivery at the front-of-house type arrangement and what is needed at the back-of-house type arrangement and to get the best blend to be able to deliver the service levels that we require.

**Mr DAVID SHOEBRIDGE:** You would have had small communities no doubt anxious to keep on jobs in their small towns and they may argue the case that jobs support their local township, but then you have to look at it from the larger council entity. That must be a challenge in an amalgamated council.

**Mr GREENSILL:** Absolutely.

**Mr DAVID SHOEBRIDGE:** How do you deal with that challenge?

**Mr GREENSILL:** One way of doing it, which we are doing at the moment, is the library service going back out to remote areas. We are looking at better delivering that by getting it more efficient. At the moment we currently run four libraries plus a mobile service. Once the service is provided to the communities, recovering them or reducing them becomes a major issue. It is a case of going out in consultation, looking at what technology can do and better ways of doing it. In some cases it might be progressively phasing things out over time but, at times, tough decisions just have to be made, knowing full well you cannot satisfy everybody, and I think that is one of the problems that we face when you are dealing with amalgamated councils.

**The Hon. ROBERT BORSAK:** Can you tell us how many employees or full-time equivalents each local government area has?

**Mr HODGE:** About 125.

**Mr COULTER:** For Nambucca we have 113 equivalent full-time for 19,500 people.

**Mr McGRATH:** Coffs Harbour is a dynamic at the moment, but it has about 540 equivalent full-time.

**Mr GREENSILL:** And we are about 550 full-time.

**The Hon. ROBERT BORSAK:** And joint water services in respect of each council doing its own thing?

**Mr TROY:** Bellingen is stand-alone.

**Ms HOBAN:** Nambucca is stand-alone as well. We have just constructed an off-stream storage dam and the reason generally—I think Bellingen is in the same situation—is geographic, or in respect of topography, when we needed to secure our water supply we looked at alternatives of perhaps piping water from other communities or outside our shire boundary, but none of those things were actually geographically or physically possible, so we are a stand-alone water utility.

**Mr McGRATH:** In the context of Coffs Harbour, we are stand-alone, from a daily perspective in delivering water. However, we have a memorandum of understanding or an arrangement/agreement with Clarence Valley Council for the bulk water supply, which comes from Shannon Creek Dam that Scott alluded to earlier. We have another dam as well and there is interchangeability between those, so it helps both areas with drought proofing.

**Mr GREENSILL:** We stand alone with regard to water management. We have a fully integrated water system. However, that is looking after the entire valley. We have the storage system at Shannon Creek which is split between Coffs Harbour and us as a back-up storage. Our main drawing point is from Nymboida and if that gets below certain levels, we switch over to Shannon Creek.

**Mr TROY:** Mr Chairman, if I may add, our sewer and water fund is in a very healthy position—

**CHAIR:** I think the next question is coming along that line.

**The Hon. ROBERT BORSAK:** That was my next question.

**Mr DAVID SHOEBRIDGE:** I saw heads nodding all the way down the row.

**Mr TROY:** — and it does pay a dividend.

**CHAIR:** We talked about that yesterday—best practice. If you meet the guidelines, you get a demand management strategy and then you get a dividend if you are really good.

**The Hon. ROBERT BORSAK:** That was my next question: What condition is your revenue fund in in relation to each of these services? Is it a net contributor or is it at break even?

**Mr HODGE:** Basically it is at break even—that is what we aim for.

**CHAIR:** I think there is an implied question from the Hon. Robert Borsak there—that is one of the advantages. Some evidence we heard earlier was about the engineering and the staffing or the ability to undergird the other side of the business with that business. I think that is the broader context if want to answer it in that context.

**The Hon. ROBERT BORSAK:** Yes, that is where I was going.

**Mr HODGE:** It is extremely important for us. It gives us that critical mass on the administration side.

**Mr COULTER:** For Nambucca Shire Council, water and sewerage is about 30 per cent of our operations; and accordingly about 30 per cent of our overheads are distributed to our water and sewerage find. So, yes, for all the back of house things, obviously if we were to lose 30 per cent of our operations then I would be the first to question the sustainability of a council like Nambucca.

**The Hon. ROBERT BORSAK:** I think there are a lot of councils that would be in exactly the same boat. Everyone we have spoken to has pretty much said the same thing—not just from a revenue point of view but also from the point of view of professionalism, critical mass, staffing and overhead management.

**Mr COULTER:** That is correct. Just in relation to debt, a couple of years ago we finished a \$25 million upgrade of our Nambucca Heads sewerage system. As the mayor referred to, we have completed a \$56 million off-stream water storage. So unfortunately at the moment we are carrying a fair bit of debt in water and sewerage. But that is the nature of those sorts of utilities—there is very lumpy expenditure over a generation.

**CHAIR:** What is the payout time on that debt? Is it 10, 20 or 30 years?

**Mr COULTER:** It is 30 years.

**Mr McGRATH:** Coffs Harbour City Council is a little different—possibly because of the size of our water and sewerage infrastructure and the networks that are there, there is perhaps a little more specialisation, if I can put it like that. Although in many cases there is a need to work together as a homogenous unit. We have a large amount of debt as a result of financing the \$300 million worth of investment that I alluded to in my opening statement. It has a very deliberate debt servicing strategy that underpins it. We start to breakeven in about 2016-17. The end results start to turn around dramatically on an annual basis. We utilised some of the reserves that we had to finance the repayments over the last 10 years or so.

**Mr GREENSILL:** Clarence Valley Council is nearly up to complete specifications on sewerage. We have won awards in recent years for the standards that we deliver.

**The Hon. ROBERT BORSAK:** You have a high standard of sewerage, do you?

**Mr GREENSILL:** We have a high standard of treatment processes.

**The Hon. ROBERT BORSAK:** I have seen that at Macquarie Street many times.

**Mr GREENSILL:** Everything is completely controlled through our fully set up asset management plans, which are fully funded as well.

**The Hon. BEN FRANKLIN:** I have a couple of questions for the Clarence Valley Council first of all. You talked in your verbal submission about the key outcome of the newly-merged council being capacity. We had a great discussion before with you and Mr Shoebridge about what that meant for jobs in the outlying areas and the smaller areas. I am wondering what it means for services. Some witnesses have suggested that the smaller areas miss out with a larger council. Is that your experience? Or have you found that you have been able to service them adequately, just as well or even better?

**Mr GREENSILL:** There has not been a reduction in service. There would be people who might argue differently. If you look at the money spent on a per capita basis or on a comparative basis, between the larger centres and the smaller centres, you will see that often the smaller centres are doing quite well—when you look at it from that point of view. Because you do not have the spread of people, when you put something in there you have fewer people to absorb the cost. So when you do provide something it is often on a far greater per capita basis in a smaller community. Clarence Valley has been very conscious of that and has made sure that it spreads its service provision across the broader community. It has not targeted specific key hubs.

**The Hon. BEN FRANKLIN:** Developing that further, another contention that has come up from some witnesses is that with a larger council comes the decline of local identity, particularly in some of the smaller areas. How would you respond to that? What is your experience?

**Mr GREENSILL:** We are talking about a council area. The council provides services across the jurisdiction that it has. In the case of the Clarence Valley Council, we have four towns as well as 44 villages—and each of them has their own identity. They have not lost their identity through the amalgamation; these are still individual communities. It is about how they fit within the framework. There are still five local chambers of commerce working in our council area. They still look after their specific geographic location. However, service provision is done at a larger level by the council across the board. I know from moving around the council area that we have very distinct communities—for example, the communities at Yamba, Maclean and Grafton are clearly distinct.

**The Hon. BEN FRANKLIN:** Finally I want to talk with everybody about the service sharing model and joint organisations. I will begin with Mayor Hoban. In your presentation, you said that you supported joint organisations and that you would like more service sharing to be looked at in the joint organisations. Your general manager talked about a potential 10 per cent efficiency saving, and others have made positive comments. I guess what I am asking is: What opportunities would you like to utilise in joint organisations, particularly in terms of service sharing? What other elements do you think could be utilised effectively to make your councils work better in a cooperative manner?

**Ms HOBAN:** In terms of shared services, I would start with the low-hanging fruit—the back of house services. One of the reasons for doing that is that essentially when it comes to things like human resources, risk management, payroll and a lot of the basic, day-to-day things we are all governed by the same set of rules so what we do is very much the same. We might have different software or whatever, but what we are actually doing and trying to achieve is the same. To me, those things are the easiest to start with. The other thing I like about starting with those things is that for the community they are invisible—the residents do not care whether their rates notice is printed at Nambucca Shire Council from someone's laptop or done somewhere else along with those of 17 other councils. Their level of service, identity and representation all stays the same from their point of view. So I would start with those things.

However, I have to say that I think there needs to be some level of mandating a requirement to share services. I think there has to be perhaps some assistance with some governance models. Political will and leadership, particularly from elected members and senior staff, are the things that will either make or break shared services. I think governance structure is another major issue. Everyone is concerned about making sure there is some benefit for their community. They are concerned about loss of control, loss of power and those sorts of things. They need to be ironed out. I would like to see more work done on structures that could minimise the negatives and the barriers and, if anything, give councils a push or some encouragement to work hard at doing those things.

**The Hon. BEN FRANKLIN:** I know that my colleague has a couple of questions and we are running out of time but would anybody else like to add anything on that issue?

**Mr TROY:** Very quickly, I support what my colleague has said in relation to back of house functions but I see other opportunities as well. I have jotted a few down. I see opportunities in noxious weed management across the joint organisation region, pounds and ranger services—those types of things. For example, we need to do something about a pound and I know that Nambucca needs to do something about a pound. Do we build two or do we build one new one on our boundary? Those are the sorts of things to look at. It is not hard; it is not rocket science. But it could provide savings.

**The Hon. CATHERINE CUSACK:** In terms of the difference between the country and the city I want to give some background to my question. We heard from a young man in Boorowa yesterday who is the general manager there. He says that, with the amalgamation, he is effectively doing himself out of a job. I thought it would be worth highlighting that, and it is why I am asking my next question. This is a hypothetical but it is about thinking through what the impact will be on that young man and his family. I would like to ask the general managers: If the ground opened up and your job was lost, what would be the impact of that on you? Would you actually be able to stay in your community in order to continue to work in this industry or would you be looking at having to leave altogether? This dramatizes the difference in impact between the city and the country.

**Mr GREENSILL:** In relation to general managers I can speak from my experience of being a chief executive officer in Queensland in this sector during the amalgamations that occurred. I was given the opportunity to take a redundancy up there during the process. There is only one general manager in an area. If you wish to continue your career at that level, you have to look outside. If you have commitments with a family, a mortgage and everything else then obviously it is a significant disruption to your life. So that is a decision you have to make in regards to your future. That is always the case when it comes to general managers. In the city, there are a lot of councils in close proximity, in the current format, and a lot more transition. In country areas it is more difficult. For example, if I was not working for Clarence Valley then I would have to shift if I had a new role of general manager because I simply could not travel.

**Mr McGRATH:** Just very quickly, I am aware of the young man you are talking about. He is doing a fine job of doing himself out of a job. We have had some discussions at various forums about exactly what he is doing. I think he is preparing that organisation very well. But I think you will find that is what most general managers do—it is about enabling the right information for the best decisions to be made by your council for their community.

**The Hon. BEN FRANKLIN:** That has certainly been our experience in this inquiry.

**Mr DAVID SHOEBRIDGE:** Not self-interest.

**The Hon. CATHERINE CUSACK:** The other difference I want to highlight, and you may wish to take this on notice, was the really important issue you raised about non-rateable land. Some of it is Aboriginal land and some of it is national park. It seems to me to be unresolved as to how those deficits are financed. If we could we have some more detail about the extent of your non-rateable land, as it is an extra cost to be carried, that would be helpful. I might ask the Mayor of Nambucca Shire Council for a quick comment on that.

**Ms HOBAN:** In terms of unrateable land, particularly forestry and Crown land, they are actually making money out of that land. Forestry trucks are travelling over our roads and bridges. There is no section 94 contribution for roads like there is for quarry trucks or extractive industries. So they damage our roads and make no payment for the land or the roads. Yet they are running it as a commercial business. I can understand that if something does not generate any revenue then it might be different. Certainly for Crown land and the running of caravan parks or other commercial activities I do not think it unreasonable to expect at least some level of payment towards the infrastructure that they use and make money out of.

**Mr DAVID SHOEBRIDGE:** I think on that point more detailed answers on notice would be terrific.

**The Hon. BEN FRANKLIN:** Absolutely—from all of you, if you could.

**Mr TROY:** I do not have the figures before me but we did an exercise on a base rate on forestry corporation and Crown land where they are income producing—and national parks. We have a great national

park which attracts 170,000 visitors a year. That is great, and we want to see that. But there is no contribution made back to the local council. Just based on 50 per cent I think it would have wiped out our need for an application for a special rate variation.

**Mr HODGE:** It was in the order of half a million dollars. So it was roughly 8 per cent.

**The Hon. CATHERINE CUSACK:** I think you guys have the highest rainfall in the State, don't you?

**Mr HODGE:** I do not know the answer to that.

**Mr DAVID SHOEBRIDGE:** Maybe it is Dorriggo.

**Ms HOBAN:** It is their shire, yes.

**CHAIR:** We note some of those issues of the contribution by local government to the Rural Fire Service and the State Emergency Service. The National Parks and Wildlife Service does not pay anything yet it probably uses the fire service more than local government. So there has to be some balance in this. As we have heard, Fit for the Future really needs there to be fair funding first—we need to give you the right funding. I have a couple of questions for you to take on notice, since we only have about a minute remaining. Are any of you selling assets or do you plan to sell assets to help you become Fit for the Future? Could you please take that on notice.

**Mr DAVID SHOEBRIDGE:** This is under the Fit for the Future criteria?

**CHAIR:** And to be financially sustainable for the future. So it is a two-track thing—firstly, you are doing it for the assessment and, secondly, you are planning to sell assets to boost your economy for ratepayers. Of course the third part of that is an asset may no longer serve the purpose it once did. I appreciate that too. When you applied to IPART, did any of you—"artificially" is not the term—inflate any rate increase or rate variations to become Fit for the Future because you want to stand alone? You can answer that verbally, if you like. There is generally a feeling that some of the councils that want to stand alone put the figure in there just to boost it.

**Mr McGRATH:** We had a three-year special rate variation strategy that has been approved by IPART most recently. It was part of our overall suite of strategies. That should address our needs, apart from looking at aspirational projects for the future that the council and the committee may wish to look at.

**Mr GREENSILL:** We are going through an SRV consultation stage at the moment.

**CHAIR:** It was nothing to do with Fit for the Future; that was all I was asking about.

**Mr DAVID SHOEBRIDGE:** A special rate variation.

**Mr COULTER:** In the Nambucca community we have had nine special rate variations in 10 years.

**Ms HOBAN:** Fit for the Future did not make any difference.

**Mr COULTER:** No. I do not think Fit for the Future made any difference. We did make a small provision—about four or five years down the track—for another special variation.

**Mr DAVID SHOEBRIDGE:** We will have to stop calling them "special".

**CHAIR:** The Orana Regional Organisation of Councils put together cost-shifting results for 2012. That is very handy to see where the cost-shifting is happening. There is no doubt that if we are going to have financially sustainable councils we will have to fix things like that. There are about 25 issues where there is cost-shifting. Thank you for your time. We would like you to table the application for JO funding from whoever applied to be part of the pilot program.

**Mr McGRATH:** I did it on behalf of the group. So I can get the original application with the attachment and the fresh one that we submitted.

**CHAIR:** If you could, that would be fantastic.

**Mr DAVID SHOEBRIDGE:** And any correspondence you got back with regard to that.

**CHAIR:** Secondly, if you have taken any question on notice—you have—you have 21 days to answer those. The secretariat will be more than happy to help you with that. In the next 24 hours we may get some further questions to you.

I thank you, once again, for what you do in your local communities. It is very important. We thank you for your evidence. There is no doubt that your communities are better off for your attendance, and certainly for your voice.

**(The witnesses withdrew)**

**COLIN JOHN MURRAY**, Chair, Namoi Councils Joint Organisation,

**MAX EASTCOTT**, General Manager, Gwydir Shire Council,

**CATHERINE EGAN**, Deputy Mayor, Gwydir Shire Council, and

**RUSSELL WEBB**, Councillor, Tamworth Regional Council, sworn and examined:

**CHAIR:** Welcome. It is good to have you with us. We would like you to make an opening statement of two to three minutes. If it is exhaustive we are quite happy to table the full document. I have Gwydir Shire Council's opening statement. We will table that, anyway. Would you like to speak to it, briefly?

**Mr EASTCOTT:** The thrust of what I have said in that written statement is that I am not all that convinced that local government is broken to the extent that we need to undertake the entire Fit for the Future process. It seems to me that, like the State Government, local government suffers from a lack of funding. But that is a product of our federalism, where we have vertical fiscal imbalance to an enormous degree. While ever you have one level of government with all the money they tend to waste it. I think that is what has happened. In addition to that, rate-pegging is an ill-considered policy to the extent that it has been going for 38 years. As one example, I will talk about the former Bingara Shire Council, which is now part of Gwydir. At various times when there were droughts they did not increase the rates by the allowable limit, and in some years they reduced them. Because the council did that they lost that entitlement for ever. That accounts for over half a million dollars that Gwydir could have now if the total notional rate yield was increased by what you were allowed to get irrespective of whether you took it or not. That seems to be unfair.

If rate-pegging existed in a way where there was, say, a cap of seven per cent—that was what I put in the document—and you were allowed to go up and down within that seven per cent without seeking any other approval, Gwydir would not have a problem at all. We certainly would not have reached a point where we had to apply for a significant special rate variation. Gwydir and its predecessor councils never applied for any special rate variation up until this current year, but it got to the point where we had to do it. It certainly was not because of Fit for the Future; it was because of other cost measures. The interesting thing is that we had never applied for it before because the bureaucratic rules were such that when you have a lack of resources you do not have the resources to put in to doing the paperwork to convince IPART that you need more money. So you wait until you hit the wall. That is what has happened. You can see that by the number of special rate variation requirements. If you had a seven per cent cap that you could work within, most councils over a number of years could put themselves into a pretty good financial position and would not be in the position they are in.

On the issue of benchmarks I will use an example. Elcombe Road goes from Bingara to Moree. At the moment it is six metres wide. We want to expand it to eight metres. The problem is that if we go from six metres to eight metres that is an improvement, not a replacement. That has a negative impact on four of the benchmark requirements. You are expanding your asset so you increase your depreciation and make your operating performance look worse. Are we going to be driven by benchmarks or are we going to make decisions based on what the community wants and deserves, and the safety aspects of some of those things. I think we need to start thinking about whether this level government is going to be benchmark driven or whether an elected level of government should be able to make those decisions without worrying about how they satisfy some benchmark.

The other point I wanted to make was about social dislocation. Gwydir Shire Council employs one in every 10 of the people in the workforce in Gwydir. I know that, if there were to be mergers, there is protection under the legislation that for three years you need to maintain the core numbers. But what happens after that core period? In the rural areas local government is usually the biggest employer. It also provides a lot of the volunteers that run the local football and cricket clubs and all those types of things. The outcome will be significant social dislocation within those communities if it is not handled with some degree of sensitivity. When Gwydir was first formed we had two communities that were under 5,000 people so we had to maintain our core numbers forever if it was practicable.

It has only been recently that the council has decided that it is no longer practicable, but we still have more numbers than we had in the two previous councils. We had an equivalent full-time staff of about 159, but that is because we run an aged care facility and we do a lot of partly government subsidised positions in social services and children's services. We run a preschool and a mobile preschool. A lot of those positions have taken

up the slack and those services that have been reduced by the State and Federal governments. We provide RMS facilities and Centrelink facilities. We do not have a TAFE presence in our shire area but we run three trade training centres and we had funding from the Federal Government to run that. We are a registered training organisation.

**CHAIR:** Mr Eastcott, we will table that document because it contains the information you are referring to.

**Document tabled.**

**Mr MURRAY:** Thank you for the opportunity to present here today. I believe I have some positive evidence to present to the Committee. Our joint organisation is quite a mature organisation. We have been around for quite a long time. The organisation has been in existence since about 2005. I have been the chair of that organisation since 2008 as a ROC and more recently as a joint organisation when we changed our name. We believe that there is a very strong role for joint organisations to play and, as evidenced by our selection as a pilot JO in this current Fit for the Future regime, we believe we have got a very mature and very effective way of moving forward and countering some of the challenges of the Fit for the Future requirements in terms of some of the scale- and capacity-type challenges, as well as some of the financial challenges.

I think our organisation is supportive of this reform; we believe in it. I cast my memory back to 2011 at the 2036 meeting in Dubbo when Fit for the Future first started. Represented there were 152 councils, 152 mayors and 152 general managers. It was unanimously agreed that we needed to reform the sector. There was no doubt in the discussion there over three days that we needed to do some reform. We asked the Minister of the day to start that process, and he did. We subsequently, almost immediately afterwards, asked for an independent panel to do the review process, and that independent process was supported by the Minister. Most recently we asked for an independent, I guess, third umpire to review the submissions, and that was granted.

We think that the reform, notwithstanding the concerns of some of our members, particularly in those areas that I spoke about earlier, is a really good working model. It is very lean. Our model is predicated on some very strong principles of not creating another level of governance, not creating another bureaucracy and actually self-funding our endeavours. We don't believe that it is necessary that somebody puts some money in our bucket; we are quite confident that we are able to deliver our services for the benefit of all members, both large and small. My own council is Tamworth Regional Council, which constitutes a little half of the critical mass of our JO, and we have other member councils down to some of the smaller councils in the State. We believe that we have something to present in our JO and I would be very happy to talk to that during our evidence today.

**CHAIR:** Do you want to table that document?

**Mr MURRAY:** I am happy to table it. That was just a presentation.

**Document tabled.**

**CHAIR:** Councillor Webb, do you want to make a comment?

**Mr WEBB:** Yes, thank you. I also say thank you to the Committee for allowing us to come and present. I am currently the deputy mayor of Tamworth Regional Council. I believe I am actually well placed to make some comment in relation to reform. I was a councillor on what was known as the Parry Shire Council from 1991. We faced amalgamation back in 2004 and the threat of amalgamation—I call it the threat of amalgamation back then because I was quite sceptical and quite concerned about where it was going to take us—I was worried about at that time. There was much discussion about where we were going. The amalgamation took place in 2004 and I say from the outset that the result of that amalgamation forming the now Tamworth Regional Council has been nothing but an outstanding result for the wider community. Yes, there will be some detractors but across the board I have to say that the critical mass that was formed by pulling those five councils into one has given us the opportunity to be where we are today. We are a fairly strong council—we have cash reserves in excess of \$130 million.

We are fairly solid but the stuff that we have been able to do as an amalgamated council really does stand us out. When we look at what we have built in the past—for example, we built what is known as the National Equine Centre. That was a big project for a local government organisation to take on. Had we not amalgamated the bean counters tell me that would never have happened—we could not have afforded to take the



risk of doing it. The amalgamated council started with 67 timber bridges. Most of those bridges were within the four I guess rural-type councils—Parry was one of those councils. We went from 1991 building a new bridge a year to 2000 building a new bridge every two years because we did not have the funding to do it. Of those 67 bridges, 41 have now been replaced under the amalgamated council. We have spent in excess of \$20 million building those as an amalgamated group. Some of that money was State and Federal money but only a small percentage of it.

What I am trying to do is demonstrate that what has happened to us has given us the ability for the whole of the region to actually benefit from the amalgamation. I think that is very important. The critical mass that we have created now enables us to go to the table with government Ministers and bang our fist on the table, and do that with some success. I think that also is important for small communities. The communities of Nundle, Manilla and Barraba, which were perhaps the poorest of the five councils as they came together, have benefitted greatly from amalgamation. We have seen the Barraba council which could not afford to put a new water supply in. We have since put in, with the help of the Federal and State governments, a water supply from Split Rock Dam and that now gives them guaranteed water basically for eternity.

We see Manilla council which has been struggling and struggling for years to try and put a new water treatment plant in. This year we started building a new \$11 million water treatment plant. The cost of all of these infrastructures that I am talking about are amortised across a greater area. The cost burden is not on those smaller communities; it is across the whole community. I do believe, and I am in a good position to comment because I was a critic of this in the beginning and now I am singing its benefits because I have seen the benefits, the one thing that took us to where we are was strong leadership—very strong leadership at a councillor level and very strong leadership at a senior staff level. I do believe that as we go forward that if we want intergenerational prosperity, if we want intergenerational growth, if we want intergenerational sustainability, then that can only come if we embrace reform. I will finish like that.

**CHAIR:** This is a pilot program, is it not?

**Mr MURRAY:** Yes.

**CHAIR:** What happens to the ROC whilst you are experimenting with the pilot program?

**Mr MURRAY:** We have simply had a name change, nothing else has changed—there has been a change, we have actually taken on two members: one is our good friends and strong contributors, Gwydir Shire Council, and the other one is Moree Plains. Uralla council went from a full member of our ROC to an associate member of our JO. We changed our name in anticipation of this reform and also in making a statement that we believed this was a good process to do. That is the reason for change.

**CHAIR:** It is a badge change?

**Mr MURRAY:** Yes, with a couple of new members.

**CHAIR:** I understand that. A badge change brings new encouragement and membership. Do you do business any differently? Are the meetings structured differently? Is it financed differently?

**Mr DAVID SHOEBRIDGE:** Are the responsibilities different?

**Mr MURRAY:** It is different, yes.

**CHAIR:** So there are some differences.

**Mr MURRAY:** There are some differences.

**CHAIR:** I will not go into them. Your submission is pretty positive but would you like to mention some of the teething issues that you seeing already in the JO pilot program?

**Mr MURRAY:** I guess it has been a challenge taking on new members because we had quite a mature and a very comfortable working relationship between our existing members. With our two new members, we have a very willing and a very proactive member in Gwydir shire, one of the smaller councils I might add in our JO and I would also like to add that they punch probably way above their weight, then we have a larger member

in Moree Plains, that probably leans a little bit the other side of the equation and have not quite got to love us as much as we what we would like, but we believe they are coming along.

**The Hon. BEN FRANKLIN:** Give them time.

**CHAIR:** Some of the comments the Committee has heard about the integrated planning and reporting framework are that it does not link directly with the State Plan. It seems that local government is going this way and the State Plan is going that way. Do you have a comment about that? Do you think it would advantageous to reorientate things to match-up with the State Plan?

**Mr MURRAY:** I think there is a change happening. We are getting very good inter-relationship dialogue with planning now—one of the proposed mandated functions is our regional planning. We are getting very engaged with State planning. I would suggest in my experience it is different to what you are alluding to.

**Mr DAVID SHOEBRIDGE:** It was not about the Planning department; it was about the document called the State Plan.

**Mr MURRAY:** Yes. I am happy to elaborate. I believe that we are working into a new era now where we are being requested to deliver our regional strategic plans on the back of our community strategic plans, which we are assured, will feed into the State Plan.

**CHAIR:** Let us hope that there is a bilateral relationship. That it is not all the State Plan's direction but that there is also a collaborative vision. One of the biggest things the Committee is hearing is that our 152 councils are unique in their own needs. We do not necessarily want to go beckoning to the State Plan and lose our uniqueness across New South Wales either. There has to be a bit of give and take. I was suggesting that there might be some buy in.

**Mr MURRAY:** I think there is a natural hierarchy of plans, and rightfully so. I think it is well understood certainly by our JO that that hierarchy exists and is credible—

**Mr DAVID SHOEBRIDGE:** You have got the Namoi and under that you have got the State?

**Mr MURRAY:** Yes. It starts from the State—or it starts from our community strategic plans. I am not quite as sceptical as you, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** I was wondering how they interact.

**Mr MURRAY:** I would like you to ask me this question in about three or four years' time and I will give you a very positive answer.

**Mr EASTCOTT:** I was just going to make the point that as part of the pilot it seems to me that we have been lucky to have a member of the Premier's department work with us. I think the role of this person is to actually try to integrate those things into the State Plan. That is my understanding.

**Mr DAVID SHOEBRIDGE:** We heard the same down in the Riverina. One of the biggest changes is actually the way the State Government is interacting with you. Is that what you feel?

**Mr MURRAY:** Absolutely, it is quite surprising. I was a sceptic at the start. But we have really embraced that concept and enjoyed quite a lot of success, not exclusively but with most of the agencies that we have attempted to engage with.

**Mr EASTCOTT:** She cracks the whip as well.

**The Hon. PETER PRIMROSE:** Councillor Murray on page four of your submission you talk about how anticipated costs of amalgamations are not always accurate. You also state:

In particular when forced amalgamations occur, member Councils are of the view that resources need to be provided by state government to undertake competent cost-benefit analyses prior to any amalgamation ...

Will you please elaborate on that?

**Mr MURRAY:** I think it is actually as it states there. There are certainly the tyrannies of distance, for example, and the alignment of things like community strategic plans. I guess the alignment of all those services and the costs of holding over staff for a mandated three years. We have a view that if there was to be an eventual adjustment in staff that ought to be upfront at a subsidised cost so that if you were to function as an amalgamated council you could function from day one. I guess the distance is one of those major challenges.

**The Hon. PETER PRIMROSE:** But you believe, as you state, that there would have to be cost-benefit analyses prior to the amalgamation actually taking place.

**Mr MURRAY:** Yes.

**The Hon. PETER PRIMROSE:** Who would you see doing those analyses? Would it be a body like a boundaries commission?

**Mr MURRAY:** Look, I would probably suggest some of our more credible providers like maybe KPMG or one of the major accountancy firms.

**The Hon. PETER PRIMROSE:** But that would take place prior to any amalgamation being announced.

**Mr MURRAY:** Yes.

**The Hon. PETER PRIMROSE:** Does anyone else have anything to say?

**Mr EASTCOTT:** From Gwydir's point of view, we were actually a voluntary merger to the extent that we open negotiations when the Premier announced some years ago that we were going to move forward in that 2004 round of amalgamations. We identified 248 separate things that needed to be done if we were going to be amalgamated. The Boundaries Commission said that we would save just under \$300,000 but in the first three years of the amalgamation we spent over \$3 million to do that. I have listed that down in our submission. I do not think that we did enough work about what the cost was going to be. Even though the Government has given significant amounts of money into this process, it is nowhere near enough to pay for the costs if there are wholesale mergers—just nowhere near enough.

**The Hon. PETER PRIMROSE:** You state in your submission, "It is quite possible that diseconomies of scale may be more likely outcomes from mergers, especially in terms of the social dislocation and other detrimental costs inflicted on smaller local government authorities." Can you speak to that?

**Mr EASTCOTT:** Yes, I would, and I am perhaps going to contradict some of the testimony you heard just a few minutes ago. Barraba is an area that is quite close to Gwydir and it is now part of Tamworth. We receive 40 per cent of Barraba and 60 per cent went to Tamworth. It is my understanding that in that town they lost 26 positions as a result of the amalgamation because Tamworth believed it was not practical to keep those positions in town. I think it is only just now that Barraba is sort of starting to recover. That is just based on what we have seen of the community

No doubt they did get the water supply, but one of the problems with that water supply was that for years and years and years the Government was trying to take the cheap option by finding groundwater. They made them do all this drill testing, which I know they did because they were doing it in Bingara as well. There is no doubt that they probably would not have got that Split Rock Dam thing without the amalgamation and spreading the cost over the larger number of users of the water fund across Tamworth, but there is no doubt that that had an impact on the community. If you need evidence in support of that, you just need to talk to some of the business houses in Barraba, or my deputy mayor.

**Ms EGAN:** Who is a former Barraba girl.

**The Hon. PETER PRIMROSE:** Could I may be ask the deputy mayor to please elaborate.

**Ms EGAN:** It is just that I still have family. From representation—we are Barraba family—with big business interests there, they are not there any longer. The means by which to control that business are not there because we have lost so many people and you lose the rural impact and everything. But the community itself—sorry, Col, to have to put this on the table—but as recently as the other day my aged mother was going into the

Home and Community Care [HAAC] services, which is now a little corner in something else where you have no privacy. Yes, it is there. If you ask them, "Is it there?", yes it is there, but it is not there in the way that people deserve to have it there. It is that sort of impact on their lives and the closure of businesses. It is impacting even more because now everything they lose they have to go to the bigger centre to get, and that is a long way for older people.

**The Hon. PETER PRIMROSE:** One of the benefits of living in a rural area is that sense of local community.

**Ms EGAN:** That small community was there for you and it is not there now the way it was. The Visitor Information centre is not where it used to be. It is in the business houses. If I am passing through, I do not know that. I do not know to go to the fruit shop to get visitor information. I look for a Visitor Information centre, but it is not there any longer.

**The Hon. PETER PRIMROSE:** So bigger is not always better.

**Ms EGAN:** Bigger is not always better, and certainly in our own community, where we have 5,000 and two bigger centres and six smaller communities, we have met with all of those and had unanimous support for staying alone. They see what happens to the smaller centres when there is a bigger takeover.

**The Hon. SHAOQUETT MOSELMANE:** My question—

**Mr DAVID SHOEBRIDGE:** I think Councillor Webb wants to say something.

**Mr WEBB:** Can I make a comment on that?

**CHAIR:** Yes, of course.

**Mr WEBB:** There have been some changes and, yes, I do agree that things like the local Visitor Information centre that you talk about have changed, but that is trending across this nation. It is not us doing it because there has been an amalgamation. It has absolutely nothing to do with the amalgamation. The trend is across the nation with, I guess, the technology that we have today and a lot of the information that we now collect on our iPads or our iPhones, whatever, for the grey nomads and most of our tourists. A lot of that stuff that you are talking about is happening, but it is not because of amalgamation. I question the 26 loss of staff, but I cannot clarify that exact number.

**Mr EASTCOTT:** It must be true. I got it from the union.

**Mr WEBB:** I am not sure about that. What we have found with a lot of our staff across the wider community is that many of the staff in all of the old council areas have taken advantage, I guess, of employment opportunities that have come about as a result of a bigger organisation. There has been an opportunity for promotion. While some of those people have stayed living in their old communities, some others have actually taken up opportunities with promotion and better salaries. There are some benefits there as well.

**The Hon. PETER PRIMROSE:** Would you agree then that that in relation to our previous discussion that you need a well-funded business case but also a well-funded social impact statement prior to amalgamations going ahead?

**Mr EASTCOTT:** Yes.

**The Hon. PETER PRIMROSE:** Would you agree to that?

**Mr WEBB:** Would I agree to that?

**The Hon. PETER PRIMROSE:** Yes.

**Mr WEBB:** I think that should form part of the whole process, but I also think—and I said it in my closing lines and I will say it again—if we do not look at reform and take it seriously, intergenerational prosperity and growth—and I am talking about to generations to come—will not benefit as they would if we do grab hold of reform and take the best of it.

**The Hon. PETER PRIMROSE:** My final point is: Would you all agree that prior to amalgamations a well-funded business case and a well-funded social impact statement would be valuable? Everyone is nodding, I think.

**Mr EASTCOTT:** Yes.

**CHAIR:** We might just take a nod on that and if you want to do something more on notice, we will do that.

**The Hon. SHAOQUETT MOSELMANE:** I can see the different views that are coming forward here, particularly the positive feedback from Councillor Webb and Councillor Murray in relation to Joint Organisations [JOs] and amalgamations, but I can see and hear the frustrations coming out of Mr Eastcott. If you do not mind, could you just briefly outline your fears about what the shire council will face as a result of this inquiry?

**Mr EASTCOTT:** We are not proposed to be amalgamated with Tamworth. The proposition for us is to go with Moree Plains. There is no doubt what concerns the elected council. I just represent what their position is. They are very concerned. They look around at the councils surrounding them, which are Moree, Inverell, Uralla and Tamworth, but they see councils that do not provide the same width of services that Gwydir provides and that the communities support those levels of services. They are concerned that if the council disappears into another formed body, those services over time may disappear. That is their concern.

**The Hon. SHAOQUETT MOSELMANE:** And they are genuine concerns.

**Mr EASTCOTT:** The councillors believe they are genuine concerns.

**The Hon. SHAOQUETT MOSELMANE:** Councillor Egan?

**Ms EGAN:** They are genuine concerns because in our small communities up until just the past 12 months we have had two medical practices that were supported from council. We have a nursing home with 29 or 31 beds that we provide for our communities. That is not going to be done outside. I mean, if we go to Tamworth, Tamworth has that done in private enterprise. We as a council have seen that our community has all those things and we have provided it beautifully for them. That is what they see themselves losing if they lose the "local" in local councils.

**Mr DAVID SHOEBRIDGE:** Thank you all for your presentations. The first question is addressed to you, Councillor Webb. Do you know since amalgamation what the change in council employment numbers are in each of Nundle, Manilla and Barraba?

**Mr WEBB:** Do I know the exact numbers?

**Mr DAVID SHOEBRIDGE:** Maybe first of all just the ballpark. Have they gone up, or have they gone down in those three towns?

**Mr WEBB:** I would have to say across the board, including the major centre, numbers have come back and that has come back as a matter of structural reform.

**Mr DAVID SHOEBRIDGE:** I am trying to exclude Tamworth from this because I would imagine, as you say, there are job opportunities in Tamworth and employees gravitate towards those job opportunities in Tamworth. But I am asking you, if we were holding this inquiry in the middle of Manilla, with them saying, "This has been great because job numbers have gone up", or would they say, "Shops are shutting. Job numbers have gone down."

**Mr WEBB:** No, they would not be saying it is great because job numbers have gone up. What I am saying is that job numbers have probably gone down across the board—not probably, have gone down across the board. We employ about 550 people within our organisation—540 or 550. There have been a lot of positions made redundant within the city limits as well as some positions that have been made redundant in the smaller towns like Nundle and Manilla and Barraba.

**Mr DAVID SHOEBRIDGE:** You see, Tamworth has a much bigger and more diverse economy. It can handle it. What about Manilla and Nundle and Barraba? They probably cannot. Are you factoring that into your decision-making?

**Mr WEBB:** Look, I think that, yes, we have. What I am going to say is probably not going to make a lot of people very happy here, but I am going to say it because it is a fact of life.

**Mr DAVID SHOEBRIDGE:** I just want to hear your evidence.

**Mr WEBB:** I do not think any level of government should be considered an employment agency, so what we need to do is make sure that we employ the right number of people to deliver the services that need to be delivered to our community. But at the same time, in smaller communities, in an amalgamation or a merge, we also need to try to make sure that we do not reduce the staff in a small area—like, say, Nundle or Manilla or Barraba—to an extent where it has too negative an impact on the community's other businesses. I really do not believe that has happened in our amalgamation. I do not believe that has happened. Yes, there has been a reduction in numbers but, really, what we are concentrating on is delivering the best level of service and making the best use of the dollars that are available to us—because they are limited.

**Mr DAVID SHOEBRIDGE:** What about population in those towns? Has population gone up or has population gone down? Does that contrast to Tamworth?

**CHAIR:** Councillor Murray might have a comment.

**Mr MURRAY:** Could I have a shot at that? I think that population and migration trends of population right around the world are gravitating towards larger growth centres.

**Mr DAVID SHOEBRIDGE:** But suppose I was interested in Tamworth, Nundle, Manilla and Barraba?

**The Hon. BEN FRANKLIN:** Point of order: The question has been asked. Perhaps we can allow him to answer.

**CHAIR:** The question has been asked. Let the councillor answer it. If it is not the answer you are looking for, you can look at reframing the question.

**Mr DAVID SHOEBRIDGE:** I am not looking for anything but the answer.

**CHAIR:** Councillor Murray?

**Mr MURRAY:** Look, can I be more specific, Chair, in terms of where I think the question is coming from? I believe the regional council has introduced quite a lot of efficiencies and quite a lot of better work methods, which have trended. I think in all industries everywhere we are trending to have less and less people to do the required tasks. God help us if we are not, with a growing world population. But the numbers have come back in those towns. I submit to you that places like Barraba, which is now getting a sewer relining program that we have worked on for about four five years at about \$100,000 year to reline the whole sewerage network under the town, there is no way in the world that the pre-existing council would have had the financial resources to do that.

**Mr DAVID SHOEBRIDGE:** I have asked pretty specific questions. Maybe you can take them on notice—population and employment numbers in those three towns and Tamworth.

**Mr WEBB:** We will take them on notice.

**The Hon. LOU AMATO:** I thank you all for coming here today. Obviously, you are all very busy. I have a question for Mr Murray. Could you elaborate a bit more as to why Namoi applied to become a Joint Organisation [JO] pilot and the benefits you see this may bring to the councils and managers in the region?

**Mr MURRAY:** Yes, certainly. I am really happy to do that, sir. We saw a lot of risks and what we perceive to be a lot of dangers in creating another big bureaucratic machine that is going to gobble up significant amounts of our limited resources. I think if you look across the different pilots, there is a vast array of different

models. We employ only one staff member, you know. There are many other JOs and regional organisations of councils [ROCs] around, albeit with varying levels of business, that employ significant numbers of staff. We employ one effective staff member. We are about to provide a very minor level of assistance in a part-time resource. We thought very carefully about how we would move into this process. We appreciated the opportunity to engage with the State Government. My time in local government goes back to 2004, and this is the first time that the Government has asked for council's opinion. We thought we had a good working model and some good philosophies to present to the Government.

**The Hon. LOU AMATO:** How has the Government involved councils in the development of the joint organisations model?

**Mr MURRAY:** It has been a lot of work. In my role as Mayor of Tamworth Regional Council, I worked about 60 hours a week. That has been shared now with the Namoi Regional Organisation of Councils. I spend 20 hours a week with the Namoi Regional Organisation of Councils, engaging with the State Government. We have meetings in Sydney about our joint organisations. There is a lot of interaction with other joint organisations and State Government agencies. It has been good. There has been an extraordinary amount of interaction. I am amazed that I am able to sit before the Committee and make that statement.

**The Hon. LOU AMATO:** That is excellent. Thank you.

**The Hon. BEN FRANKLIN:** Councillor Murray, what are the best parts of the joint organisations model? What is working most effectively in your pilot? It would be interesting for the Committee to hear your perspective on best practice, because, as you know, there are five different pilots around the State. What is really working for you?

**Mr MURRAY:** One significant aspect is the attitude of the State Government and our proactive engagement. There is two-way communication. We are receiving significant assistance. The most important point is that Fit for the Future has made all councils take a good look at our businesses. If the Fit for the Future switch were turned off at this moment, councils would be in a much better situation than they were in previously. We have all done asset management plans. We are starting to think like a business. I come from the business sector, and the last time I filled out a time sheet was 1972.

I understand what it is like to own and run a business with a large workforce. Our local government group has done some amazing work not only because it wanted to but also because it was imperative under Fit for the Future. Another important aspect is the realisation of how much money we earn in our operations every day when we do not think about collaboration. Functions in our joint organisation area are carried out seven times. We are getting amazing returns from collaboration. The significant financial return will more than fund the operations of the joint organisation.

**The Hon. BEN FRANKLIN:** Representatives of Gwydir have raised sincere concerns about the effect of mergers on smaller communities. You have firsthand experience of a merger. What happens to the services and identity of smaller communities?

**Mr WEBB:** As an amalgamated council we followed the example of the previous Parry Shire Council and formed community development committees in each of the communities. We met with them regularly. That connected the communities and council. The model worked well for a long time. It involved a lot of people from those communities. Nundle, Manilla, Kootingal and Barraba all had community development committees. Council sometimes held council meetings in those communities. That did not happen a lot, as it was expensive and much of the discussion in council meetings involved city issues. It was not fair to take people from the city to Barraba to talk about their development proposals. But the community development committees were a link that we built into the model, and they worked well.

**CHAIR:** How many community development committees were there?

**Mr MURRAY:** We have about 35 section 355 committees, but we had about seven community development committees.

**Mr DAVID SHOEBRIDGE:** You are talking in the past tense.

**Mr MURRAY:** We do not have them anymore.

**Mr WEBB:** We have progressed. In some of the communities those community development committees have grown in other ways. For example, one committee looks after Manilla matters and another looks after the showground.

**The Hon. BEN FRANKLIN:** So the community development committees were part of a transitional structure until the communities created their own structures to engage with council?

**Mr WEBB:** Yes. It has been a long road to get there, but it has certainly worked.

**Mr MURRAY:** I think we could have done it better. We could have improved our community engagement. We have learned a lot. We failed to adequately recognise what our good friends from Gwydir alluded to, which is the culture of communities. I do not think we understood the value of community culture to the individual community. We could have managed that better. I hope that in any future reform that involves amalgamations we place a different value on that. Community culture is important. We let some of our communities down in that respect.

**The Hon. BEN FRANKLIN:** Thank you. Mr Webb, you said that intergenerational growth will not happen without reform. Would you elaborate? That is an interesting statement to make.

**Mr WEBB:** If we look at businesses, we see them undertaking reform. That is how they survive. Local government is no different. If we do not undertake reform and find savings and efficiencies we will be unable to deliver to our community in the ways that they will expect in the future. People in the community have certain expectations. Some we can meet, some we cannot. We must do our best with the funds that are available. Funds are tight at the moment, at the State and Federal level, which feeds into local government. We have to do the best we can with what we have.

Without reform, efficiencies and savings, that will not happen. Those who follow us into local government will suffer if we do not implement reform. The responsibility for much of that efficiency falls on the State Government. It needs to reform red tape to allow businesses to grow in rural and regional areas. There is so much red tape, which causes issues for businesses. It slows down their capacity to grow quickly. We in local government are trying to help them. That is an area that requires intergenerational change. Local government is assisting business where it can, but the State needs to do it too. To be sustainable, we need to change the way we do things. That applies to the State Government as well.

**The Hon. ROBERT BORSAK:** Once it decides on the optimal joint organisation model—if there is such a thing—the Government has said that it intends to legislate for it. That is in contrast to the regional organisations of councils, which work under a gentleman's agreement. Could you tell the Committee which councils are participating in your pilot scheme? How do you see that scheme working under legislation?

**Mr MURRAY:** The members of our pilot scheme are Walcha Shire Council, Liverpool Plains Shire Council, Gunnedah Shire Council, Narrabri Shire Council, Moree Plains Shire Council, Gwydir Shire Council and Tamworth Regional Council, with Uralla Shire Council as an associate member. I do not believe that the model can work without legislation at some level. With the Office of Local Government we are exploring what the pilot process might recommend. The process is not mature, but there have been many suggestions. To sum up, there is not much doubt among the pilot joint organisations that there needs to be a level of legislation.

**The Hon. ROBERT BORSAK:** Will that include political representation or will it address only back office or economic issues? Is it amalgamation by stealth?

**Mr MURRAY:** The model that we are presenting, which we believe in, is not amalgamation by stealth. It is quite the opposite. Our model presents a credible alternative to amalgamation. We believe that the work we are doing will go a long way to satisfying the concerns about scale and capacity. We cannot satisfy all the concerns. It would not be possible to construct a model that could satisfy everyone's concerns.

**The Hon. CATHERINE CUSACK:** Councillor Egan, I have watched the progress of Barraba. I have been there many times. It was affected when the timber reserves were taken away from the Pilliga forest, was it not?



**Ms EGAN:** It was affected more by the closure of the Woodsreef asbestos mine. It is not my area; I am speaking from a personal perspective.

**The Hon. CATHERINE CUSACK:** I understand. I know it is not your area, but its economy has been affected. Is it fair to say that a level of desperation attaches to council jobs as a way of keeping the town going?

**Ms EGAN:** Look at the two small communities of Barraba and Bingara. Bingara is vibrant. It moves, it shakes and it punches above its weight. When you take the heart out of a community, such as its council, it suffers. Bingara, because of strong leadership in council, has thrived. The council is the youth and the workers of the community. If council is taken away, old people are all that is left.

**The Hon. CATHERINE CUSACK:** The mine closed and the railway line closed. Council was then the main employer. Industry was the reason for the town's existence. In the modern era the focus on technology and a different mode of transport has made life tough for some small communities.

**Ms EGAN:** It is tough, but the council and the youth of the community are still there. If you took the council away from Bingara and Wialda, you would take away the heart and the young people and be left with an old community. There would be nothing there and nothing to work from.

**The Hon. CATHERINE CUSACK:** I left my rural community, and it was not because of the council. It was because I wanted to go to a bigger city, as my sons have done.

**Ms EGAN:** But you had a choice. If people's jobs are taken from them they leave the community because they are forced to, not because they want to. Once people have been forced to move they do not come back, because there is nothing left to come back to.

**The Hon. CATHERINE CUSACK:** The council jobs?

**Ms EGAN:** No, not just council. The council workers make the community; they are part of the community and when that community is reduced like that you are taking the heart out of the community; it reduces it to a nothing. You drive through some towns and you just say, "What's here?"—nothing.

**Mr MURRAY:** Can I make one comment on that, and, again, this is contrary to what is currently being stated? I acknowledge that Bingara is a much more vibrant community; they have a different culture at Bingara to what is at Barraba. In the last 12 months we received a formal request from Gwydir shire to consider an axing of the remainder of the old Barraba shire and entering into discussions to talk with Gwydir about a potential boundary adjustment. Somehow or other, and I do not know how, that got leaked to the Barraba community and we got very, very strong representations from that community to say that they wanted to stay with Tamworth regional council. So I rest my case. I do not know what the answer is. I think a lot of it is about what I alluded to earlier. I think we could have handled the value of that community culture a lot better during the early days.

**CHAIR:** It comes back to the uniqueness of community; not one size fits all. There is a real passion out there in little communities and the needs of financial sustainability and infrastructure need to be addressed otherwise we will lose the whole lot. So we have got to do the business plan. It is not an employment agency but we do want to keep our young people in those rural areas because they are the cream of our crop, so to speak, and we want them to take the place on from where it is. It is complicated; no-one pretends to have a silver bullet.

**Mr DAVID SHOEBRIDGE:** The last five minutes has been the philosophical discussion that is going on around the State.

**CHAIR:** And it brings the social impact, which is one of the criticisms of the Fit for the Future; it has gone wholly and solely to Fit for the Future being financial sustainable. But one could argue if the social impact crumbles you have nothing to even be fit for if your community crumbles. I have to end it there because we have a public forum to come on. If you want to answer that question on notice, like the other questions you have taken on notice, you have 21 days to answer, and some of the members might give you another question in the next 24 hours. Once again, it was different material yet again from what we have been receiving, which shows the diverse needs right across local government. I thank you for coming and telling us your story, your council's story and your community's story. We will be reporting back in October if you are interested to watch what happens with the report.

CORRECTED

**(The witnesses withdrew)**

**(The Committee adjourned at 3.33 p.m.)**

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**REPORT OF PROCEEDINGS BEFORE**

**GENERAL PURPOSE STANDING COMMITTEE NO. 6**

**PUBLIC FORUM INTO LOCAL GOVERNMENT IN  
NEW SOUTH WALES**

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**At Armidale on Tuesday 18 August 2015**

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**The Committee met at 3.40 p.m.**

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**PRESENT**

The Hon. P. Green (Chair)

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

**CHAIR:** I will commence by outlining some procedural matters. Speakers were required to register for today's forum. Those of you who have registered to speak will have five minutes to address the Committee. A timer will ring at four minutes to let you know that you are nearing the end of your time. Another timer will ring at five minutes, at which point you must finish your comments. In order to be fair to other speakers, the Committee will be strict in enforcing the five-minute time limit. If a speaker is unable to finish his or her speech the speaker can request to incorporate the remainder of his or her speech into the transcript of proceedings, assuming that the speaker has a written statement, and the part that has not been read will be included in the record of tonight's proceedings.

What is said today is being recorded. That recording will be later transcribed and will become part of a public record. The transcript will be made publicly available and will be posted on the Committee's website. I remind speakers that the freedom afforded to witnesses by parliamentary privilege is not intended to provide an opportunity to make adverse reflections about specific individuals or organisations. Speakers are asked to avoid making critical comments about specific individuals or organisations. Instead, speakers should speak about the general issues of concern and how it affects him or her. I request that members of the audience refrain from making any comments or excessive noise during the proceedings. Interruptions from the audience are not recorded in the transcript and make it difficult for speakers to communicate with the Committee. Whether you agree or disagree, I ask the audience to pay respect to the speakers and let them be heard in silence.

**CAMERON WAY**, having been sworn: I am a ratepayer. I was interested in the Fit for the Future [FFF] process, as a ratepayer and I think I am probably, out of all ratepayers on the Tablelands, the person who has probably taken the most interest. I have read through probably all the past research. My history is, I grew up in Sydney, moved to Armidale in 1988. I have lived in Armidale, done things in Armidale. I now live in Guyra shire, in a small regional village of Ben Lomond. I shop in Glen Innes. I am hoping to get a \$5 million project in Uralla, so I have talked to lots of councils. I have been active in rejuvenating Ben Lomond, I am one of the key players that has rejuvenated Ben Lomond and turned it around from a dying, small village, to a very successful proactive village. In fact, some of the councillors have been a bit embarrassed when I have been ahead of the curve on laws and planning changes and they have had to catch up with us.

Unfortunately, I have a disability where sometimes I cannot write for three or four months. It comes and goes. So I really wanted to put all of my stuff, having read all the work, to try and support government to make their decisions. So that is where I am at. I just want to make one comment too. I just came in and heard you mention about the social infrastructure in regional Australia. I just want to reaffirm that point. I agree, we are having a lot of big agricultural industry taking up properties. The families are the ones who provided the social infrastructure, so you are looking at a problem like fly-in fly-out workers in regional Australia and I am very concerned about it.

Now, with the overall process with the FFF, I am really disappointed because, up in the Northern Tablelands it has degenerated into basically another amalgamation move. And that completely misses a lot of the real opportunities for rural reform in all the FFF work and all the research that goes behind it. When I travel around I speak to ratepayers just on the street everywhere—so I do my own little polling, if you like. And I have yet to meet a ratepayer on the street, in any of the shires other than Guyra, when I mention FFF and they go, "Oh right, I know what is happening". They just eventually go, "Oh, you are talking about the amalgamation thing?" and I go, "Right". There has been, partly because of the rush, a complete lack of opportunity for ratepayers to really be informed and, on one sense, the reform is meant to be about people like me and us.

My head is a bit blurry today, so I am going to have to just collect my thoughts. The first point is, I am very frustrated that the full benefits of the FFF are not going to be realised if we just boil it down to an amalgamation. What I would like to see happen and what I think, without summarising my reasons for it, parochialism in local councils, like State Governments, one government to another, is a strong factor. Some of it is unhealthy but some of it is for a very good reason. I am getting nervous and losing my thoughts—give me a second. So the way I think that the good reform can happen over the Tablelands is to evolve towards a regional council over ten or 20 years and to focus on what, in the background research—

*[Interruption to sound recording.]*

**CHAIR:** We will restart the clock.

**Mr WAY:** Basically, what I want to say is, I think the way for the Northern Tablelands is to work towards inter-council agreements. For example, when your plant and equipment gets hired from Tamworth, it is

brought to Guyra; it gets taken back and then Armidale goes down to hire it. I have all the details of that. I also find, looking at efficiency, some of the metrics are missing. For example, if you review all the councils, you can easily get a nice timetable of their community consultation program. I know in this process Guyra, I think, really has consulted, partly because we drove them as a small community and said, "Go out and talk to the councils; this is what we want".

But the metric you need to look for, for example, to relook at small council efficiency, is things like when it comes to community consultation, does a ratepayer feel it is worthwhile turning up in the first place? Do they feel, if they turn up, that it is worth them putting an input? I know, for Guyra, we have developed a very good relationship. Through Ben Lomond, we educated our local people on the realities of local government, what they can and cannot do, so we got rid of the council-bashing element and we educated and started to develop a good, positive relationship and we have gone ahead ever since.

**CHAIR:** If you can conclude your summarising statement.

**Mr WAY:** Also too, another metric you need to look at is, when a business comes, how accessible is the council to actually make it worthwhile to keep engaging and not go through six months of paper work? Sometimes small councils are very, very efficient. So I just want to say that you cannot judge the performance of a council currently on its current economic performance. Shires like Guyra were locked into very low rates when rate-pegging came in. Now, I have had councils that have acknowledged that rate-pegging has forced better efficiency in local government, but it is time to end. The point is, you cannot judge that.

**MARGARET O'CONNOR,** having been sworn: I am a councillor on the Armidale Dumaresq Council. I thank the Committee for hearing us in public. You will note that there are more women in front of you today in the public forum and two elected women in front of you, whereas there were only two in the whole of all your previous sessions. I think you should take note of the fact that there is a problem with the representation and the diversity. There are no Aboriginal people, there are no young people before you and there are no people of other races, of whom we have many in Armidale. I am sorry, except for Honey, who might claim that, but he has been a local so long it does not matter. But I really want you to note that because there is an underlying problem here.

Now I am going to mention the unmentionable which is what I call volunteerism on steroids, when you talk about local government and locally elected councillors. This report, "Revitalising Local Government" is redolent with terms about "professionalising", "transforming relationships", "more respect", "partnership", "correlation between state plans and local plans", and the high degree of respect that the community has towards their elected councillors. But I say that there is one thing that creates respect and that is money. I know it is considered a terribly self-serving thing to talk about remuneration but, in fact, the Sansom Report does talk about remuneration and it makes one comment only, which is that the remuneration for councillors should be increased, if they go and do some professional development programs. I do not know the status of that recommendation, but I know it was howled down in Tamworth when it was put to local councillors there on a regional basis.

So I am not speaking for other councillors, I am speaking on my own behalf but also, I believe as a business person, someone who has never not paid an employee when they do work. The amount of work that we do, I would like to point out that I sit on about 12 committees that relate to the services that a regional hub city like Armidale Dumaresq has to provide. The services we provide are: A large regional airport holding a national heritage collection; we have the sewer treatment works; the water supply dam and three other privately owned dams which has brought us into conflict with the Dam Safety Committee. We have a land fill that we manage and we are building a new one; we have 600 kilometres, approximately, of sealed roads and 1,200 of unsealed and we have just taken on the Kempsey Road, as you have heard.

We have a regional tourism campaign; we are a university town with a visiting student population and overseas students who bring their own difficulties. We have got refugee populations here; and a large diversity of people from other countries on a permanent and temporary basis; we do substantial resettlement; we are members of the Evocities group; we have economic development responsibilities; and we have just, almost successfully, managed the first national roll-out for a mainland city of the NBN and we are now tasked with digitally educating our businesses and we are successful in doing that. Part of that is an additional committee that I sit on, which is the Digital Economy Implementation group. You know that we all have iPads—I will go on with the things that we do.

We are trying to attract decentralisation, because our population has been stagnant until the last few years, at one per cent minus or plus growth. We are now up to plus two per cent growth per annum, which is a huge achievement for us. We have doubled our growth in the last three years but that has been by dint of a huge amount of hard work. We have just recently hosted a delegation from the Australian Pesticides and Veterinary Medicines Authority [APVMA], to try and attract our first decentralisation, which is 180 jobs. Now, for all this, I am paid \$5 an hour. This is not an easy job. I have calculated the hours that I spent in the last weeks doing all the things that professor Sansom recommends we do. You cannot not pay us for the work we do. That does not include reading—all the preliminary reading and all the communication.

So I would also, before I finish, hand up a list which my General Manager handed to me about the shared services that we undertake with Uralla Council, so that the Committee has them. We also have 231 full-time employees which I think was a matter of some query before. Five minutes is not enough time to explain the partnership expectations that this report has. I totally support joint organisations [JOs], I support the idea of modernising local government, but you cannot ask elected people, who share the respect of the community, to do it at \$5 an hour. It is not fair.

**Document, list re shared services with Uralla Council, tabled.**

**MARIA HITCHCOCK**, having been sworn: It is said that if something isn't broken, don't fix it. As chairman of the Armidale Dumaresq Ratepayers Association, I believe that the system of local government in New South Wales is broken and needs urgent reform. Amalgamation is not the answer. Over the past few years we have seen councils being required to act as businesses, to generate sufficient revenue for their operating costs, to attract the appropriate grants and to conduct themselves as fully professional, competitive organisations. The roles of councils and their requirements are becoming more and more complex. As they strive to service the needs of residents, the expectations of councils are very high.

Businesses that want to operate successfully in the 21st century employ highly qualified graduates and trainees with the ability to manage their jobs confidently. Employees who do not shape up soon see themselves being sacked; not so for councils. While the New South Wales Government expects councils to act as competent and competitive businesses, the reality, especially in regional areas, is often the opposite. For here the Peter principle reigns supreme. Because of the nature of council employment regulations, employees gradually rise to the top of their departments—based on seniority, not on merit—in other words, the Public Service model. There is no motivation to do the best job they can because their jobs are safe, regardless of what kind of shoddy decisions they make. They also pay lip service to the concept of community consultation and councillors are seen to be doing the bidding of senior officers, rather than councillors being representatives of the people and having a vision for their local government area.

In small regional communities, the council is often the major employer in the area and contracts with the local council are sought after as a secure income-generating exercise. Businesses are therefore slow to criticise the council for fear of having that patronage withdrawn. This adds to council staff being able to escape the net of accountability. Poorly performing council officers can do a lot of damage in a small community but it is almost impossible to terminate their employment. If corruption can be proven, then there is an outlet through ICAC but incompetence is almost impossible to prove. This needs to change. Internal performance reviews cannot be relied upon. It should be much easier for a community to request a public inquiry into the competence of a council.

Our ratepayers association, formed last year, has recently taken a vote of no confidence in Armidale Dumaresq Council [ADC]. We did not take this vote lightly. It came about as the result of what we consider to be an incompetent and unprofessional change from a solely ad valorem system of assessing rates to a base rate system in line with other councils in New South Wales. The methodology used in the changeover resulted in a chaotic rating structure. Unlike other councils which have a low base rate, ADC set their base rates at 43 to 49 per cent of the average rate for each category. In the business category, the base rate set was \$1,722.30. For industrial land it was set at \$1,967.40. This has been devastating for local small businesses.

There are many empty shops in the Armidale central business district. It has always been difficult to attract industries into the town as we are competing with a progressive Tamworth council. In Tamworth, the business base rate is \$155, which is less than one-tenth of the new Armidale business base rate. One would think that Armidale Dumaresq Council would be doing their level best to encourage business and industry. Instead we have seen small businesses suffer with rate increases of 100 per cent and more because of the incomprehensibly high base rates. Amalgamation would see this hapless system spread across a much wider area.

ADC failed to inform the ratepayers of what was to happen—no information sheets, no public meetings, no guides to the new rates, not even an advice sheet was posted out with the rate notices. There was no thorough impact assessment. In fact, council officers admitted they did not realise the impact the new system would have. Little or no attempt was made to research base rates used by other councils in New South Wales. Our organisation has asked for a complete overhaul of the rating system so that it is fair and equitable for 2016-17. We have also asked for a proper and honest community consultation before the new system is published. We are not confident that ADC is capable of this task and we do not think they are fit for the future.

**PROFESSOR HANI SOLIMAN**, having been sworn: Thank you very much for all of these activities and inviting us. There have been a lot of talks from different people and all sorts of ideas. But, as an academic, I want to draw your attention to the idea of the general systems theory—there is a book written on this by a friend of mine when both of us were working at the University of Alberta in Canada—on one hand. On the other hand, I would also like to draw your attention to something called the tyranny of small decision-making—that is when you look at bits and pieces, not the whole picture. I would also like to emphasise the point that each city or council is a system and you have to look at it as a system, not bits and pieces. We need to define and understand the input, the output, and the processes from input to output within such systems.

It is also very important to understand that for any two councils to amalgamate, each has to recognise that there will be a benefit for each organisation. Actually, there is a book in the library on this—for any amalgamation, if you do not have the commitment of anybody, you will lose, and that is no good. Such a regional amalgamation should also lead to better value being added, including to our primary products and assets. This includes, say, agriculture, wood, even recycling, such as of glass bottles—and a lot of other things that can be done with the recycling of this kind of waste. We could also go to the extent of having Aussie food in regional areas like this—you know, not McDonald's.

Population distribution, too, is very important. A viable regional centre like the New England area or the Armidale Dumaresq Council will help create a better population distribution, rather than concentration of population in major cities like Sydney and Brisbane. We also talked about the highways between cities and the quality and all of these kinds of things. There is also cooperation. It is really important that we think about cooperation. For example, around here we have the credit union and it is working in the whole area—and that is very important. We also have to think about the process and the management. The process starts with blueprints of where we are—what is happening—and a lot of us talked about this.

The second point is: Have a vision and a plan as to where we want to be or to go. Some people talked about this too. The third point is how this could be achieved—in one single step or in different stages? Number four is the cost-benefit analysis. I am mentioning bits and pieces, but I am trying to bring things together. The cost-benefit analysis looks at what is good within each of the existing systems and councils and how this could be integrated with the related system and then what is not good and could be eliminated, changed or improved within each council. The last point is the timescale within and among the proposed new structures. I could talk more about each of these points, but I am trying to give you an overall blueprint as to how to put the pieces together and what we do with them.

**ISABEL STRUTT**, having been sworn: I thank the Committee for coming and conducting hearings. It is also good to know that these submissions and all of the discussion today is recorded in *Hansard* and therefore will not just disappear into the ether somewhere. It has been my experience over the years that within the community there is a high level of cynicism and also, I would say, a high level of distrust of consultation and particularly of government decisions. So often I hear the comment within the community that says, "It's not worth going. The decision is already made. It's just a token activity." So I do thank the Committee for coming.

I would like to pick up on one of the comments that was made in a previous session about the necessity for having an accurate and truthfully based business case for proposed amalgamations and also social impact statements and the assessment of the social impact. There are huge effects which happen. I think voluntary amalgamations are a very different kettle of fish from a forced amalgamation. Forced amalgamations can be very destructive indeed.

In relation to Uralla Shire Council, we asked the general manager in our council to give some costings, figures and analysis on what would happen in the different scenarios of mergers that may be suggested for Uralla. He did that. Also, in our criteria results for Fit for the Future, Uralla Shire Council met six out of the seven criteria. The one that we did not meet was the operating performance ratio. But we are also confident as a

council that we are able to address that shortfall and that we will be able to do it with the indicated support from our community. The council did consult with its community by way of survey, by way of information in council newsletters and also by way of a public meeting, and clearly told the community and showed to them the analyses that our general manager had provided on the different mergers that may be provided and what the outcome of that would be.

I make the point that the money on offer for the mergers from the State Government is a one-off. That is not funding that will assist in the ongoing financial sustainability of a merged council. It is a one-off and a lot of that money will be taken up in actually establishing the merged council's administration. The community position in Uralla is that the shire community does not want and will not be supportive of a forced amalgamation or a merger or whatever the current term is that is being used.

This is my eleventh year on council. For the past 11 years Uralla Shire Council has had major additional workloads and cost loads imposed on it by the State Government. These additional work and cost loads are over and above the various traditional shifting of operation responsibilities with attendant costs which have been gifted to local government from time to time from the State Government. And the workloads and costs have come from analyses, from submissions, from reports and from implementing new reporting systems—I think the integrated planning and reporting [IP&R] system is extremely good. I think that is great, because it does tie things in. But I would guess the cost in terms of workload on staff and the cost in terms of financial cost, if it is totalled up over those 11 years, would certainly be within tens to hundreds of thousands of dollars.

My experience of our shire council has been total commitment by both councillors and staff to the National Economic and Social Advisory Council [NESAC] and then to standing autonomously again. I make the point that Uralla Shire Council did not withdraw from NESAC; it chose not to renew its membership of the alliance, and those are two different things. The council spent six to eight months doing really in-depth analysis to ensure that we could stand independently if we chose. The decision was made that it was not particularly financially beneficial to the shire to continue within the NESAC alliance.

In spite of all of this, Uralla Shire Council has managed the costs—it has absorbed the costs. It continues to be proactive. It works and plans for the future. It works collaboratively with neighbouring councils and continues to look for avenues to be able to do that. The mayor and the general manager alluded to some of these beforehand, but Uralla Shire Council is also a member of Northern Inland Regional Waste, of the northern regional library, its tourism is a regional output, and Namoi councils has been very beneficial for Uralla Shire Council. We continue to be an associate member, I believe with great benefit to our shire. I appreciate the Committee coming and listening. I believe that there needs to be great care in the decisions that are made. If IPART is basing some of its decisions on the TCorp financial analysis, that is by now well out of date and I believe is not an acceptable document to be making Fit for the Future financial decisions on.

**CHAIR:** That concludes the hearing. I thank you. While ever the community has people like you, they are in good hands, because people like you are the backbone and the voice of the community. Local government is all about having a local voice. With local councillors, as long as we have those councils, we have a local voice, and that is very important for the whole State's future and prosperity. Thank you for what you do and for giving your side of the story. For your information, we will probably table the report around late October.

**(The witnesses withdrew)**

**The Committee adjourned at 4.14 p.m.**