

GENERAL PURPOSE STANDING COMMITTEE No. 5

Thursday 26 February 2004

Examination of proposed expenditure for the portfolio areas

LOCAL GOVERNMENT

The Committee met at 9.00 a.m.

MEMBERS

Mr I. Cohen (Chair)

The Hon. I. W. West
The Hon. K. F. Griffin
The Hon. A. Fazio

The Hon. M. Pavey
The Hon. C. J. S. Lynn
Ms S. P. Hale

PRESENT

Department of Local Government
Mr G. Payne, *Director-General*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates
General Purpose Standing Committee Secretariat
Parliament House
Macquarie Street
SYDNEY NSW 2000**

CHAIR: I welcome everyone to this supplementary budget hearing of General Purpose Standing Committee No.5. I thank the director-general for his attendance. At this meeting the Committee will examine the proposed expenditure for the portfolio area of Local Government. Before questions commence, some procedural matters need to be dealt with. Paragraph 4 of the resolution referring the budget estimates to the Committee requires evidence to be heard in public. The Committee has previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines for broadcasting are available from the attendant.

I point out that in accordance with the Legislative Council's guidelines for the broadcast of proceedings, only members of the Committee and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee you must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee.

There is no provision for members to refer directly to their own staff while at the table. Any message should be delivered through the attendant on duty, or the Committee clerks. While the resolution does not prescribe procedures for the following matters, the Committee has previously resolved that the allocation of questions will be left in the hands of the Chair. The Committee needs to report back to the House by Thursday, 11 March. Therefore, written responses to any questions taken on notice should be provided to the Committee secretariat by midday on Friday, 5 March. I declare the proposed expenditure open for examination.

Ms SYLVIA HALE: Can you explain the connection between your department and the Boundaries Commission? Is it in any way answerable to you as Director-General or it is totally independent?

Mr PAYNE: The Boundaries Commission is an independent body created under the Local Government Act. It comprises four members. Two members are drawn from a panel of names provided by the Local Government Shires Association. A third person is appointed by the Minister—a ministerial nominee—and a fourth person is a member of the department. The Boundaries Commission in no way reports to the department; it is entirely independent. The department provides administrative services, as it does with other independent bodies such as the Grants Commission, the Local Government Remuneration Tribunal and the Pecuniary Interests Tribunal.

Ms SYLVIA HALE: If I attempted to see copies of submissions made by the Boundaries Commission, do you have to part to play in deciding whether those submissions are publicly available?

Mr PAYNE: If you wanted access to information that has been provided to the Boundaries Commission you would approach the commission. The commission's records are stored in the department; it does not maintain separate premises. Those records are the commission's property. A submission made to the commission is also copied to the Minister and/or the department. A number of copies are often floating around.

Ms SYLVIA HALE: Yesterday in the House I asked the Minister whether he would make available a breakdown of the submissions to the Boundaries Commission about the City of Sydney and South Sydney Council. His response was that I would have to talk to the commission. When I talked to the commission, as I did yesterday afternoon, I was told that I had to approach the Minister. How does an ordinary member of the public get to see any of these submissions or to assess them?

Mr PAYNE: I cannot comment on what you were told. However, the Minister is correct—if you wanted information on details provided to the commission you would need to approach the chairwoman of the commission.

Ms SYLVIA HALE: I refer to the regional review process. Are you conscious of the dissatisfaction this process has generated in many areas?

Mr PAYNE: Yes I am, and I am also conscious of a fair level of support.

Ms SYLVIA HALE: Many assertions have been made about the way in which these reviews have been conducted, such as the failure to take minutes and the failure to provide sufficient attendance lists. We were given an example about a meeting that attracted more than 500 people but there was provision for, at most, 150 people to sign attendance sheets. In addition, the commissioner appears to exhibit an indifference to what is being said at these meetings. Is that a satisfactory process?

Mr PAYNE: I do not know, and I have not been at the regional reviews. It has not been put to me that there is a great level of dissatisfaction. Each process is independent. Each facilitator will adopt a different manner in his or her approach to the review. I would not expect extensive minutes to be taken. That is not the way it was set up. There is extensive consultation. The fact that 500 people turned up when 150 were expected is probably a planning decision taken some weeks before. We often ask councils to make the arrangements. On one occasion a council gave us the wrong address, but that was fixed. It is not a scientific exercise. Overall, the response from the community is that there has been ample opportunity for input. I am aware that people who attend meetings are often there to express dissatisfaction. I am also aware that in some instances campaigns have been run from town to town. We wanted to give everyone in the area—not just the councils—the opportunity to have input, and that has been achieved. The level of consultation has been extensive.

Ms SYLVIA HALE: However, there has been disquiet with the processes. The point I was making about attendance was not that the room could not accommodate the people—although it could not—but that people could not record their presence at the meeting because there were not enough sheets available.

Mr PAYNE: I cannot comment on that. I have seen some attendance sheets. Some facilitators have shown them to me. I cannot comment on that particular instance. You refer to a level of dissatisfaction. As I said, there is obviously some concern and dissatisfaction is being expressed. Sometimes those involved are trying to play the person rather than the issue. That has been well handled. Some facilitators have been under a fair bit of pressure and they have handled themselves very well. As I said, we wanted to ensure there was extensive consultation on the ground in the areas concerned—in small villages, towns and in the streets, and on radio and in newspapers. It is a major structural reform program, but I am not getting the sense that there is massive dissatisfaction.

Ms SYLVIA HALE: How do you respond to the claim that the reports being produced have all been modelled on a template and that 70 per cent to 80 per cent of the content seems to have been lifted from one regional review and placed into another?

Mr PAYNE: Each facilitator has come to his or her own conclusions. I would expect a level of similarity because many of the issues are the same. I do not think that the ultimate outcome of the reviews—that is, the recommendations from the facilitators—are in any way influenced by a prior review.

Ms SYLVIA HALE: I assume the regional review process will continue past the 27 March elections. Do you have any timeline or indication of the order in which they will occur?

Mr PAYNE: No. I made the schedule available to the Committee when it was dealing with the amalgamations. The first reviews we scheduled are nearing completion. I expect to develop another schedule in the next month or so for the 2004-05 year. Two are yet to be completed—the Macquarie review, which covers Bathurst and that area, and an extended Albury-Hume review picking up some surrounding shires.

Ms SYLVIA HALE: When do you expect them to be completed?

Mr PAYNE: I expect the Macquarie review to be completed in March and the Albury-Hume review probably in April. We are looking to receive decisions in April and May respectively.

Ms SYLVIA HALE: I assume the elections will proceed in March for those council areas. If the review recommends major alterations to the arrangements, what do you anticipate happening?

Mr PAYNE: Do you mean the councils going to election and subject to a review?

Ms SYLVIA HALE: Yes.

Mr PAYNE: I cannot speculate, but there may be a merger and, if so, there would be another election at some time in the future. As you know, we proposed in a bill last year to give the Minister the authority to defer council elections subject to regional reviews. However, that measure was not passed, so this is the only other option left.

The Hon. CHARLIE LYNN: Are you able to provide a copy of the terms of reference for the regional reviews that were carried out into the structural reform of local councils?

Mr PAYNE: When you say "the terms of reference", we would have the letters that were provided to the facilitators asking them to undertake the review and telling them the areas and so on.

The Hon. CHARLIE LYNN: Are you able to provide a copy of those letters to the Committee?

Mr PAYNE: I cannot see why not.

The Hon. CHARLIE LYNN: There was a great deal of concern raised in our previous Committee meetings that terms of reference had not been produced for the reform of local government, so to speak, and that it was put out there as a suck it and see what happens. You said there is a possibility of fresh elections if the reform process has not been completed by 27 March. Do you see that outcome as a result of the failure to produce a terms of reference for the reform?

Mr PAYNE: Absolutely not. I commented on the election issue. We had hoped to avoid that, but that was not to be. I made a comment to a previous committee—I go to so many committees I forget which one—that it was decided early on not to issue firm guidelines on these reforms. We wanted to have the facilitators look at each area independently and take into account the needs and requirements of those areas, not prescribe what we wanted as the outcome. That has, in fact, been the response so far and is, I think, the strength of the program. I do not believe it should be for me to sit down and prescribe to facilitators what each area should do, what each area should look like, how they should react and what we should finally approve.

Basically we said to facilitators, "We want you to have a look at local government and the provision of local government services and facilities in a particular region." The region itself was not precisely defined because we do not know at this stage what area relates to what. If you go out into a region and you believe that an adjoining council area relates to the one you are looking at, then you should extend your review. That has happened. In some cases they have looked at an adjoining area and noted, as Professor Daly did in the Australian Capital Territory region that Boorowa, which was included in the review, in fact did not relate to the Canberra region. That is fair enough. As I said, it was not precise. I acknowledge that the election was a problem but, as I said, we had hoped to avoid it.

The Hon. CHARLIE LYNN: Do you have any idea of the cost of the process of the local government reform so far?

Mr PAYNE: I cannot tell you that. I was asked to come here at short notice. I have not had a chance to get any figures. The allocation for the reform program was \$1.012 million in 2003-04 and again in 2004-05 there was \$660,000 made available for the reviews and the balance for the support for the Boundaries Commission. So it is about \$1 million per year. So far we have achieved probably six to seven reviews in the year.

The Hon. CHARLIE LYNN: How much have you paid to the Boundaries Commissioners?

Mr PAYNE: The payment to Boundaries Commissioners is set centrally. I cannot tell you that figure. It is available.

The Hon. CHARLIE LYNN: Would you be able to provide that figure?

Mr PAYNE: I can provide that. I must say it is a fairly modest fee. It is something like for the chairman about \$25,000 and about \$7,000 or \$8,000 for the members. Of course, the departmental members do not get paid, just their ordinary salary.

The Hon. CHARLIE LYNN: My colleague Ms Sylvia Hale said there was a lot of concern and angst in the community. You said there was also a lot of support. Are you aware that the Minister's office advised members of the United Services Union that Mr Vardon probably needed police protection at Merriwa, when video evidence was to the contrary, that is, it was not required?

Mr PAYNE: I was not aware of that. I know that there were a large number of people at Merriwa and I know that it was a fairly heated meeting. I cannot comment beyond that.

The Hon. CHARLIE LYNN: Do you have any details of regional impact statements which examined the effects of council amalgamations on small regional towns?

Mr PAYNE: Regional impact statements by whom?

The Hon. CHARLIE LYNN: I assume it would be the Department of Local Government or the Boundaries Commission.

Mr PAYNE: If there is a regional impact statement I am not sure that is the best term to use. It would be a Boundaries Commission report. The Boundaries Commission is bound under the Act to report on a range of factors in the Local Government Act. It would pick up the impact of any reform on a particular area and a particular region.

The Hon. CHARLIE LYNN: That would be the impact of job losses and so forth in small towns?

Mr PAYNE: I cannot tell you, I did not bring the Act. It is set out in the Act. It would have both a social impact and an economic impact.

The Hon. CHARLIE LYNN: Would you be able to make the reports available to the Committee?

Mr PAYNE: They are on the web.

The Hon. RICK COLLESS: You said that \$1.021 million had been allocated in 2003-04 and 2004-05 for the local government reform process. How much of that money is allocated to the Boundaries Commission?

Mr PAYNE: I am going on pure memory. There is \$660,000 available for the regional reviews—for the facilitators and support, the travel and the staff. The balance is \$350,000.

The Hon. RICK COLLESS: Would the balance go to the Boundaries Commission?

Mr PAYNE: It is for the support for the Boundaries Commission—the public hearings, the travel and so on.

The Hon. RICK COLLESS: Are there any other costs to the department? I understand that many of your staff would be working on the reviews as part of their normal duties. Other than the normal duties performed by your staff, are there any other costs incurred by the department or do all the costs come out of the money that is allocated to the Boundaries Commission?

Mr PAYNE: No. The travel, accommodation, meals, the hire of halls, advertising—which is expensive—all come within the budget, as I have just mentioned. The only contribution made by the department financially would be, as you correctly said, the support from various staff, advisory services, and so on. What we have done with the Boundaries Commission and the regional facilitators is that rather than dedicate permanent staff we have employed contract people to work for the period of the review. Some of those people go from one review to another, others leave and new ones are appointed.

The Hon. RICK COLLESS: Are you talking about the facilitators?

Mr PAYNE: Usually there is a facilitator, who is obviously paid, and the facilitator is supported usually by an executive officer and secretarial support.

The Hon. RICK COLLESS: How many facilitators are there?

Mr PAYNE: There is one facilitator per review. So far we have you used Professor Maurie Daly for the Australian Capital Territory reviews, Professor Kevin Sproats for the inner Sydney-South Sydney review, Chris Vardon, former president of the Shires Association, for the appeal review and also doing the Macquarie review, and David Simmons for the Clarence review and also doing the Albury-Hume review.

The Hon. RICK COLLESS: How are they paid?

Mr PAYNE: On a daily rate.

The Hon. RICK COLLESS: What is the daily rate?

Mr PAYNE: I have not got that figure. I can provide it.

The Hon. RICK COLLESS: Is it the same rate for all facilitators?

Mr PAYNE: Generally, except for Professor Sproats who provided his own support, because he is with the university.

The Hon. RICK COLLESS: The daily rate includes the chief executive officer, the support staff and everything else?

Mr PAYNE: No. They are paid a daily fee, which is their fee, and then the other staff, the contract staff, are paid on a daily or an hourly rate.

The Hon. RICK COLLESS: Would you tell the Committee the procedures for the regional review process? Who does the facilitator report to? Does he report to you or to the Boundaries Commission?

Mr PAYNE: The facilitator reports to the Minister in a formal report. You would have to talk to the facilitators about the processes they adopt. Basically from the date of their appointment they will make contact in the region and start an extensive round of discussions with individuals. The facilitator advertises in the area. The department actually lodges the advertisements but they are paid for out of the budget for the review. Sometimes those advertisements are run twice in all the local papers. Timing is difficult because not all the papers are daily, of course.

The facilitator will spend on average about four weeks, not necessarily continuously, in a region and spend a couple of weeks finalising the report. That then goes to the Minister. So there is no accountability to me. My role in the review would be to keep an eye on the costs and the services. Obviously, for things like advertising, we work through the government advertising contract, and so on.

The Hon. RICK COLLESS: I am still a little confused about the overall process. Let us use the Clarence as an example. How was that initiated originally? Then where did it go after that? Did it go first to the Boundaries Commission? Did all the submissions that came in go to the Boundaries Commission, and did the Boundaries Commission then initiate the review?

Mr PAYNE: The process started with the department putting forward a schedule of areas that it was suggested should be subject to regional review. Those are the ones that I have just mentioned. How we came up with those areas was that there had been for some time various submissions and approaches to do some structural reform in those areas. For instance, I remember going to the Clarence area three, four or five years ago, because there was a movement up there,

initiated locally, to do that. I went up there and spoke to them. That did not eventuate. In fact, Pristine Waters was the result of that.

So we looked at what we had in the department from the various areas. Basically, those areas came up as issues. We also had regard—as I think the Minister at the time made comment about—to the donut councils. Those areas had donut councils—Macquarie with Evans, and Hume and so on. There was nothing magic about the formula, other than that these were sort of self-contained, definable regions that were based on catchment areas. Initially we wanted to get a reasonable spread across the State. I had had approaches from some councils to look at some type of structural reform. There was a mixture of things.

Once that was approved and funding provided, the next stage of the process was that we embarked on appointing facilitators. We called for submissions. In fact, on our web site are some submissions made by the public and groups to the facilitator. Quite simply, once the facilitator makes the recommendation to the Minister, the Minister refers it to the Boundaries Commission, and the Boundaries Commission then formally notifies an inquiry and calls for submissions. There was a period of about 21 or 28 days for the making of submissions. We provided to the Boundaries Commission any submissions that we had received that related to the areas that it was looking at. In some cases they were the same submissions, and in other cases they were not.

The Hon. RICK COLLESS: As a point of clarification: The submissions that you received and you have talked about would, I think, be those that were called at about the end of August of last year.

Mr PAYNE: Some of them. But there were submissions that came in over time that were unrelated to the call. Those would have been from various individuals or groups. I would not say that we get a constant stream of them, but there are mainly groups, and a few individuals, who will write in, and for some time they have been suggesting some type of merger or reform in a particular area. We made that material available. So we made sure that the facilitators and the Boundaries Commission had access to all material that we had, plus they had their own. There is a lot of material.

The Hon. RICK COLLESS: I am sure there is. So the facilitators hold the regional review and have the public meetings that have been held. He then reports to the Minister. What is the relationship then with the Minister? Does he go back to the Boundaries Commission, or does the Minister make his decision based solely on what the facilitator tells him?

Mr PAYNE: No. The Minister refers the facilitator's recommendations to the Boundaries Commission, which happened. I use the ACT as an example. Then, as a result of his own initiatives, the Minister made another set of proposals, which took into account some of the facilitator's recommendations, but not all, and submitted those to the Boundaries Commission. So the Boundaries Commission basically had two sets of proposals to look at. In fact, it had some more as well that had started earlier. The same will happen with the Peel region. The Chris Vardon recommendations have been forwarded to the Boundaries Commission as a set of proposals, and the Minister has also made another set of proposals. There is consistency between many of them. The Boundaries Commission will report on each of those proposals. I think in the ACT area the Boundaries Commission reported on eight or ten proposals.

The Hon. RICK COLLESS: What input do you and your staff have into the Minister making those alternative proposals to the Boundaries Commission?

Mr PAYNE: There is the normal consultations and discussions that take place. In fact, the department puts the proposal together for the Minister.

The Hon. RICK COLLESS: You said, when the issue of recorded minutes was raised by Ms Sylvia Hale, that it was not the objective to have a formal set of minutes taken. Do you have any concern about how the facilitators can properly report to the Minister if no formal minutes are kept?

Mr PAYNE: There are notes kept. What I was saying was that I did not expect to see a formal set of minutes such as a council might keep. I know, for instance, that in the Clarence the facilitator actually recorded what he thought the councils said, and sent that record back to the

councils to seek their confirmation that he had noted correctly what they had said. That is a process that each adopts in a different way. In fact, in the Clarence I think most of them came back and said he had recorded correctly what their views were. I am not getting any suggestions at all that the reviewers are not taking into account the various views of the various groups or council.

The Hon. RICK COLLESS: What about the various individuals who are really interested in this?

Mr PAYNE: Most of those who speak have also written, and as you can see on the web there are an extensive number there. Some of them are form letters. I have had no suggestions of any misrepresentation. I have had suggestions that the facilitator does not agree with a view, or vice versa. But there has been no suggestion of misrepresentation.

The Hon. RICK COLLESS: We will go back to the Merriwa instance because what happened there concerns a lot of us. I think the facilitator there did cop a bit of flak in the meeting, if I can use that expression, and he eventually got up and walked out. I am wondering how he is going to go back to the Minister with an unbiased interpretation of that meeting when he was put in a situation where he felt that he had to get up and walk out.

Mr PAYNE: Well, you don't get much out of a meeting where people are yelling.

The Hon. RICK COLLESS: No, you don't.

Mr PAYNE: He could not really form a decent view, so he would rely on other forms of input. And, as I said earlier, there would be plenty of it. A lot of the views put to the meeting are already known, because they are speaking to a submission that they have made. In fact, some people actually went from meeting to meeting, so there was a sameness there. What the facilitators tried to do at the meetings was get a good spread of views—not just those of the council, or not just those of one particular group. It is hard at public meetings, as you would appreciate, because some people do not want to speak up in front of a crowd. So the facilitators provided other opportunities. In the Clarence there was a street walk, if you like, or a meeting on the footpath, and people put a view there. There was talk-back radio. So there were a variety of opportunities. And we did not prescribe the method, other than that there had to be extensive consultation.

Ms SYLVIA HALE: Following up on the Merriwa meeting, Mr Bulford from your department took notes. Would it be possible to get a copy of his notes? I understand there was a show of hands at the meeting which indicated unanimous opposition to any merger, but the facilitator said he would take no notice of any votes taken.

Mr PAYNE: I do not accept that. I will take the question on notice. I do not know whether he took notes, I was not there.

Ms SYLVIA HALE: Any notes Mr Bulford has taken at any regional reviews would be useful.

Mr PAYNE: I will ask him. The notes basically turn into the report.

Ms SYLVIA HALE: That depends on how extensive the notes are, I assume.

Mr PAYNE: I do not accept that he said he would not take any notice of any show of hands.

The Hon. RICK COLLESS: I am sure you are aware that there is a lot of concern in the community about the location of the boundaries. One recommendation from the inquiry held last year was that a proper review process, such as the one suggested by Professor David Brunckhorst, from the University of New England, should have been the basis or mechanism for deciding where the boundaries best fit. Do you think that would have been a more logical process, rather than the emotion-charged process seen at some meetings? If there had been some logical reasoning behind the location of the proposed boundaries, would it not have been a lot easier to sell?

Mr PAYNE: You could adopt any number of approaches. We decided to adopt the community of interest approach, and I believe it has been successful. Where to draw lines on a map is always difficult. In the Clarence area, for example, there was a suggestion that a small part on the coast has been transferred to Coffs Harbour. We have asked the administrator to enter into discussions with the Coffs Harbour City Council to see whether that needs to be varied. Next week I am going to Queanbeyan where there are some minor issues to do with boundaries. If there needs to be some minor adjustments, as director-general I can do them; provided I do that only with consent from all bodies. If the line has been drawn wrongly, has split a town, we will fix it. We looked at catchments, at communities of interest; the facilitator's looked at retail shopping patterns, et cetera. It was a reasonable approach to adopt, to draw lines on a map.

The Hon. RICK COLLESS: What were the guidelines for reaching those decisions? How were they worked out? Are they just somebody's interpretation of how far people would travel?

Mr PAYNE: No, obviously the facilitators looked at the current boundaries to see where the communities of interest related. Whether one area related to another or to one up the track. Wherever possible to existing external boundaries have been left in place. During the review some submissions were received, including one from the Australian Capital Territory [ACT] that indicated that part of it should go from the old pristine waters to Coffs Harbour.

The Hon. RICK COLLESS: Do you mean Clarence? You said the ACT.

Mr PAYNE: Sorry, yes, down to Coffs Harbour. That was accepted by the facilitator and I do not know the background to it. There has been a suggestion that it needs to be reviewed, and we will do that. Boundaries are subject to constant review. Quite a few minor boundary adjustments come through the department, for instance where the boundary splits a property, and you have a ratepayer paying rates to two areas. We fix those things all the time, they are not contentious. Next week I am going to the ACT because two or three submissions have been put to us for minor boundary adjustments. My approach there will be that if the two councils involved are in agreement, and there is community support, and apparently there is, we are happy to make adjustments.

The Hon. KAYEE GRIFFIN: At the earlier inquiry I asked you about regional reviews. Could you give an update on the reform program?

Mr PAYNE: I can. So far we have completed four regional reviews: the ACT, Clarence Valley, Peel Valley and the Albury region. The acquiring regional review is currently underway, as I indicated earlier. That is expected to be completed in March, and will probably report towards the end of March. The Albury review has been extended to include a phase two, and we will start, probably mid-year, with the inter-city review, which is the Kevin Sproats review. We indicated that he was commissioned to look at the South Sydney area, and that will be extended further afield.

Ms SYLVIA HALE: How much further afield?

Mr PAYNE: At the time we made that an announcement we were thinking of to Auburn.

Ms SYLVIA HALE: Would that be a radius or a corridor?

Mr PAYNE: Corridor. As I said earlier, it is not precise. You would have to look at the adjoining councils to see whether they wanted to be included. In December last year Professor Sproats updated his previous report that was completed in 2000. That resulted in the amalgamation of South Sydney and Sydney councils and was proclaimed by the Governor on 6 February. As a result, the new council had a one-off saving of \$2 million and the Boundaries Commission identified another \$7 million each year after that. On 11 February the Governor proclaimed the seven new councils in the ACT region; that option generated a one-off saving of \$2.13 million, with annual savings of \$1 million. Those figures are contained in the Boundaries Commission report.

Yesterday the Minister announced that the Governor had approved the amalgamation of councils in the Clarence Valley, with savings of more than \$5 million and with yearly savings of about \$1.5 million. A fairly extensive program has already been undertaken with huge financial benefits. I

am personally involved in the Sydney and South Sydney one, as you would probably appreciate, and am starting to see some financial, planning and staffing benefits.

The Hon. KAYEE GRIFFIN: Could you elaborate on the projected savings for the city of Sydney? How do you see things changing and what savings may accrue for Sydney?

Mr PAYNE: As I said, this is contained in the Boundaries Commission report, which estimated that the new council would be debt free with a total of cash and investment of about \$211 million, \$88 million of which would be unrestricted. The new council will bring in a very sound financial position. The annual savings are estimated to be about \$7 million, as an initial saving. That is the financial benefit, and, if anything, they are conservative. The council will be able to provide better services for their ratepayers. As an administrator I am getting feedback about the previous boundary alteration, which involved part of Glebe. It is quite interesting that many residents have said that they are pleased with the improved services and facilities provided by the new council.

It is a fairly constant theme. I would also expect that type of response to be coming from the former south Sydney area. We met last night and a number of issues were approved which were well received by the former south Sydney community. I expect that those improvements—physical and financial improvements—will quickly become visible to all residents. Just as an example, last night we approved a bicycle plan for south Sydney that had been developed by the former council. Sydney had a bike plan. A working party is now being put together to integrate those two bicycle plans, which were extremely well received by the community, in particular, the bicycle community. There are some real benefits. There are not just financial benefits; there are planning benefits and benefits for services and facilities.

The Hon. KAYEE GRIFFIN: I refer again to the regional reviews. As I said earlier, I think I asked you this question at another inquiry. I think at that time you said you were proposing six regional reviews, probably on a yearly basis. Is it your intention to continue with those reviews until every local government area within the State has been looked at?

Mr PAYNE: No. The program has been set up and funded for two years, with a third year to be considered based on the results of the first two, which is reasonable. It is not envisaged that, in that time, we would cover the entire State. I think what will happen—in fact it is already happening to some degree—is that some areas will start to work out a proposal for themselves. There will be proposals that we initiate and some proposals will be initiated locally. It is difficult in some areas when you go out to the Far West. Distance is a major problem out there. I expect that, over the next three or four years, each area will have some type of examination. The department is quite happy to do this, and it is working with some councils to overcome some of the problems that size brings. An amalgamation may not be a reasonable outcome because of distance. I think that, in the next three to four years, most areas will have some type of examination, whether it be self-examination or by regional review.

Ms SYLVIA HALE: I have just been going over a number of things that you said. You gave as an example last night's meeting and the warm reception that you received in the community as a result of the integration of the city of Sydney and the south Sydney bicycle plans. Are you suggesting that that integration could not have taken place unless the councils had been merged?

Mr PAYNE: After 13 years experience it is not impossible, but it is probably unlikely.

Ms SYLVIA HALE: Do you not think that co-operation under the Regional Organisation of Councils [ROCs] brings about those results?

Mr PAYNE: It can, as I said. But it is a lot easier when you are one body.

Ms SYLVIA HALE: That is an argument for amalgamating every council in the State, is it not?

Mr PAYNE: No, it is not. I pointed that out as one of the benefits that we are seeing fairly quickly from amalgamation. Obviously, you could integrate any type of planning. In fact, there are

regional corporations, such as ROCs, and so on. I think the important thing is that when it is the one body it makes the integration of a number of things a lot easier.

Ms SYLVIA HALE: I am sure that is true of any organisation, is it not, until you get so overloaded with bureaucracy that it concludes that is perhaps not such a good idea.

Mr PAYNE: I do not think they will be overloaded with bureaucracy.

Ms SYLVIA HALE: With the new city council arrangement, you are the obligatory member, as it were, on the Central Sydney Planning Committee?

Mr PAYNE: No.

Ms SYLVIA HALE: I think you have to be present, is that correct?

Mr PAYNE: No.

Ms SYLVIA HALE: Are you a member of the Central Sydney Planning Committee?

Mr PAYNE: No.

Ms SYLVIA HALE: Who are the council's representatives? It was my understanding that there had to be either you or someone else.

Mr PAYNE: As I understand it, the Central Sydney Planning Committee comprises seven people. One was the Lord Mayor and the others two were councillors. There is no Lord Mayor or two councillors, so therefore the Central Sydney Planning Committee today comprises four other members.

Ms SYLVIA HALE: So they are all the government appointees?

Mr PAYNE: I assume so; I do not know.

Ms SYLVIA HALE: Do you know whether that planning committee is continuing to meet?

Mr PAYNE: I cannot answer that question. I do not know.

Ms SYLVIA HALE: Given your concern with the city—

Mr PAYNE: It was reported at the council meeting on Monday a week ago that we were sitting as the Central Sydney Planning Committee. That was not correct. As I understand it, the developments that go to the Central Sydney Planning Committee are those that are valued at over \$50 million.

Ms SYLVIA HALE: That is right.

Mr PAYNE: I do not know what is in front of the Central Sydney Planning Committee, but it can still continue to meet.

Ms SYLVIA HALE: You are saying that it can continue to meet, though it has no elected representatives?

Mr PAYNE: What I am saying is that there are seven. I understand that a quorum is four, and they have four.

Ms SYLVIA HALE: But there are four government appointees?

Mr PAYNE: I assume so; I do not know.

Ms SYLVIA HALE: Do you not find it somewhat worrying that a body that can approve developments worth in excess of \$50 million in the centre of the city should be continuing to meet even though there are no elected representatives on it?

Mr PAYNE: I am the wrong person to ask. It actually falls within the planning portfolio. I am not sure whether it is continuing to meet. I am not aware of any hold-up. The administration is in place only until 20 March.

Ms SYLVIA HALE: A lot of things could be passed in that period.

Mr PAYNE: I am not sure whether anything has been passed. I am not the one to ask.

Ms SYLVIA HALE: I will direct my questions elsewhere. You mentioned earlier the Sproats review and how it would be continuing. Can you tell us how much Professor Sproats was paid for his report into the amalgamation of the extended boundaries of the city of Sydney?

Mr PAYNE: You asked how much Professor Sproats was paid. The answer is: I do not have those details with me, but I undertook to provide the fees for the facilitators.

Ms SYLVIA HALE: Did you find it odd that the recommendation that he came up with this time was not consistent with his previous recommendations in relation to the boundaries and the factors that would be taken into account?

Mr PAYNE: I must admit that I do not have the details with me. I think he said that the merge of the two was not inconsistent with the overall theme of his 2000 report.

Ms SYLVIA HALE: But he was recommending a fairly specific boundary this time, whereas his overall report was, as you say, much more general. It appeared that, whether it was the question of boundaries running down the middle of highways, that sort of matter was ignored.

Mr PAYNE: I did not find anything extraordinary about it. The next report was two or three years later.

Ms SYLVIA HALE: Did you find the brevity of his report at all disturbing?

Mr PAYNE: No.

Ms SYLVIA HALE: It must be a milestone in the Government reports in terms of the depth of the analysis, surely?

Mr PAYNE: Do not forget that it was an extension of a fairly detailed study earlier, so it was not a stand-alone document. I have to say that one of the things I like to encourage is briefer reporting, from everywhere.

Ms SYLVIA HALE: Earlier you said that one of the factors that the regional review process was anxious to identify and take into account was communities of interest. We would all agree that "communities of interest" is a catchall phrase and that it means all things to all people. The evidence we received at the inquiry from Professor Brunckhorst was that his department at the University of New England had attempted to establish what you meant by "communities of interest", and then it had attempted to statistically measure those communities of interest—whether it was a question of where people shopped or, as you mentioned, which towns they visited.

So that we were all working on the same assumptions and the same definition, do you think it would have been far better to have undertaken a statistical assessment of the criteria, rather than relying upon a back-of-the-neck feeling that these areas should be joined together?

Mr PAYNE: I do not want to offend mathematicians, but I am always sceptical about statistics. The statutory requirements for the facilitators and the Boundaries Commission are the section 263 factors that are contained in the Local Government Act. They are the factors that must be taken into account, as well as any other matter. A range of other matters were taken into account. You

are right: a community of interest means many things to many people. At the end of the day, we have to come up with a subjective judgment, and that is what we are dealing with. It cannot be a scientifically based decision.

Ms SYLVIA HALE: No-one is suggesting that the findings of any surveys taken by Professor Brunckhorst, or anything else, should be the determinant. But do you agree that that sort of essential information should be fed into any consideration of where appropriate boundaries are?

Mr PAYNE: I think that the information that was taken into account, by both the facilitators and the Boundaries Commission, is more than adequate for the purposes of defining local government regions.

Ms SYLVIA HALE: Except that one must admit—even you must admit—that this proposal has caused enormous angst amongst rural communities. I think you would have to have your head in the sand if you did not concede that.

Mr PAYNE: Everyone knows that if you are undertaking structural reform in the local government sector, and probably other sectors as well, of course it causes concern. That was known. The 1993 Local Government Act, which did not involve boundaries, also caused major unrest—and that was 12 years ago. You cannot keep programs running for 12 years; otherwise you tend to forget what you are doing at the end.

I am comfortable with the process; I think it has given everyone an opportunity. The boundaries that we are determining are not locked in concrete. As I said earlier, adjustments can be made. I think there is likely to be ongoing reform in the local government sector. The communities themselves are changing.

Ms SYLVIA HALE: But you would concede that the current program that is being undertaken has huge implications for people's employment and the degree of voluntary effort that goes into communities by communities, and it has impact upon the long-term survival prospects of many of those communities. In view of the fact that Professor Brunckhorst estimated that to survey the entire State would probably cost in the vicinity of \$2 million to \$3 million, that might have been a reasonable basis upon which to start, and then everything else would follow.

Mr PAYNE: I am not going to comment on academic theory. We are not trying to cut out voluntary commitments by people; we are not trying to cut out towns. In fact, we are trying to do the reverse: we are trying to enhance the prospects of councils being able to survive in the future. It is no use having a policy of no change to anything, and just seeing something gradually die. As I said to the previous committee, some of these small councils are basically being drip fed, because they do not have the economic base to survive. The HHH collapse pointed out a problem there. That is just one thing. Natural disasters are another area where some of these councils struggle. Of course we want to enhance the towns. On other occasions I have used the example of Nundle. I firmly believe that Nundle's future probably rests with Tamworth, and an enhanced Tamworth will mean an enhanced Nundle. In fact, we are trying to do the reverse of what you are suggesting.

The Hon. CHARLIE LYNN: But the people of Nundle do not see it that way at all.

Mr PAYNE: That is not true. I have had a meeting with some of the councillors at Nundle, and they do see it that way. They would prefer to remain on their own, but there is a recognition by at least three of the councillors that they cannot survive long term by themselves.

The Hon. CHARLIE LYNN: At the meeting I had with the councillors, they indicated a need to join with Parry council but they were very concerned about Tamworth.

Mr PAYNE: They have moved about somewhat with their preferences. The last time I spoke with them, which would have been three or four months ago, they accepted that in order to survive they had to join with a larger body.

CHAIR: I presume you have had a look at the Committee's inquiry results. There was a lot of communication about councils, even smaller councils, joining together. But there the feeling was

expressed that Albury-Hume and Tamworth-Nundle councils, for example, were sufficiently different. Culturally, there was a real concern about the small councils being amalgamated with larger councils. For example, councillors from Hume council could not be elected to a greater Albury council because the town did not have the population capability of getting its own representatives.

Would you not concede that there are some serious lifestyle and cultural issues to be taken into account, apart from what you might perceive as an economic gain? The Minister himself said that with regard to the Albury-Hume amalgamation they wanted to expand the residential areas. Surely that is not sufficient reason to force an amalgamation.

Mr PAYNE: I would not disagree with that. The Albury-Hume amalgamation is not yet complete. One of the proposals for Peel is a voluntary amalgamation. Tamworth, Nundle, Parry and Manilla have submitted a voluntary amalgamation proposal, and that will be looked at during the Boundaries Commission meeting in Armidale on 1 March.

I have spoken to a number of councillors who are likely to be councillors in new bodies because they will stand for election. I am very confident that every opportunity will be taken to observe and enhance those rural villages—not just in an economic sense but also in a social sense.

CHAIR: The current Mayor of Albury said they would look at giving a certain responsibility to new councillors from an expanded Albury council. However, simply by reason of demographics, those councillors would not come from the Hume area. The claim—which I think was substantiated—was that there was not enough voting power in the current Hume council, even if everyone voted for one person. Therefore they would still be represented by people who live in the Albury metropolitan area. That is satisfactory for them.

Mr PAYNE: Yes.

The Hon. IAN WEST: Do you think it will rain tomorrow? What is the relevance?

Mr PAYNE: At the end of the day I think we will see these larger areas being well represented. I looked at some reports that were done back in the 1980s on amalgamations. The fear then when shires would merge with towns was that shire people would have no say. That has not happened and, in fact, the shires have got enhanced services out of being part of the larger group because there is a more economic grunt there, so to speak, to do works and services. I do not think it will happen. I think that people of Nundle will be well represented at the end of the day.

The Hon. IAN WEST: I thank you for coming and providing your expert advice on a number of rather academic questions. What benefits do you think the communities of the Clarence Valley will gain from the merger of councils in that particular area?

Mr PAYNE: I can go back to the Boundaries Commission report which highlights them. I will provide some economic benefits and others. There would be a one-off saving in the Clarence Valley of \$5.2 million and savings of more than \$1.5 million each year thereafter. This is for a community of approximately 50,000 people so it is not a super council in the sense that some people are suggesting. In fact, it is still quite a small council. It will create a financially stronger and more viable council compared to some of its neighbours. As a larger entity they will be able to apply for and receive grant funding from Federal and State governments. So apart from being larger they will have more political say. Being a bigger body I would assume that they would attract increased funding for the provision of health and related community services.

They will overcome some of the fragmentation that currently exists. It is very obvious, and this all happened quite early, that as a result of being a larger body there will be much more favourable purchasing arrangements. There no longer will be four entities in the Clarence Valley purchasing goods: it will be one and they will get benefits out of that. There will be enhanced services. One of the suggestions is that they will have a mobile library service which apparently is something they have been seeking. I am not aware of it myself. That is a possibility under a merged council.

I also believe, and I am getting this impression out of the South Sydney merger—whilst I can understand staff are concerned about their jobs—that it is highly likely, in fact, it is nearly certain that

many will get enhanced promotional prospects as a result of being in a bigger body because there is not a great deal of opportunity in some of the smaller councils. In a council that services more than 50,000 people there will be more jobs available. I think that will come to pass over the years and I think that is something that the staff deserve and should look forward to.

The Hon. RICK COLLESS: I refer to a statement that is often made that the total savings will be so many million dollars in the first year and so many million dollars each year after that. Of course, that refers to the savings within the whole new local government entity.

Mr PAYNE: Yes.

The Hon. RICK COLLESS: Are the impacts on local communities taken into consideration, for example, the loss of jobs? Yesterday the Minister said in the House that there would be no loss of jobs in the total area, and that may well be the case. I refer to Maclean, a council in its own right at the present time with a general manager and I do not know how many senior staff on contract, probably it is four or five on a salary of perhaps \$100,000 or more in the case of the general manager. There is a lot of spending power of those five people in a small town like Maclean. In total there might be the same number of jobs maintained in MacLean but those five senior staff will be in Grafton or wherever the headquarters are. I do not want to be too specific, I am just using Maclean as an example. The \$400,000 or \$500,000 worth of disposable income and spending of those four or five people in Maclean will be lost to the businesses of Maclean. The smaller the town the bigger the impact is of the loss of those high paid jobs—towns such as Bingara and Ashford.

Ashford and Inverell amalgamated something like 20 years ago and today there is the same number council jobs in Ashford as there were at the time of the amalgamation but none of them are high paid jobs which inject a lot of funds into those small communities: they are all field staff earning \$40,000 or \$50,000 per year.

Mr PAYNE: I cannot say for the Clarence Valley but the counter argument, of course, is that the headquarters of the Clarence Valley council could, in fact, be in Maclean. I do not know where it will be. They could increase the level of staff. Yes, the complexity and type of staff may change but there is nothing to say that the number of local government employees in Maclean will not increase. I just cannot answer that. We are very conscious of the need to maintain the towns and villages, from the local government perspective and the impact that that has on other services if it is started to run down. We have asked the administrators and the acting general managers to be very conscious of what they do. I spoke to the new Acting General Manager of the Clarence Valley council as late as yesterday and asked him to specifically take into account the issue that you have just raised. Obviously, he has not arrived and cannot make a comment yet. But nobody will go out to deliberately destroy a town.

The Hon. RICK COLLESS: I am sure that that is the case.

Mr PAYNE: Obviously all those senior salaries in Maclean are not all spent in Maclean. But there is an economic multiplier effect that would be evident in a town and I would expect that the council would be conscious to ensure that that will be maintained as it is now in their interests because it is the one area. I take your point.

The Hon. CHARLIE LYNN: Earlier you referred to the possibility that some councils may have to hold fresh elections if the reform process is not completed. On how many councils will that impact?

Mr PAYNE: All councils are going to election on 27 March, apart from those that have obviously now been merged and a number of others where there is a voluntary amalgamation, that is, Tamworth, Bingara and so on, have had their elections deferred. I would imagine that the number of councils that go to election for 2003-04 and then are subject to some type of change would, in fact, be very few: it would probably be single figures. Next year if we did another six reviews obviously the number would increase.

The Hon. CHARLIE LYNN: Last week there was a strong rumour that Camden/Wollondilly would be—

Mr PAYNE: There are a lot of rumours. They are not on the radar but I am not saying that they will not be. Earlier I commented that we would like to at least look at—not necessarily review—most councils. I am aware that there are a few proposals running around out there. Unfortunately, what happens is that the proposals are sometimes sent to us and then they go straight to the press and that creates some problems. There is no intention from the point of the view of the department to do anything out that way other than minor things, but there is no major merger.

The Hon. CHARLIE LYNN: Would there be any consideration about compensation if that happens to independent candidates? Some councils do not have a ward system. Therefore, an independent councillor would have to man 34 wards. That would involve a huge expense in time, effort and money. They might have to do it on 27 March and again the following year. That appears to favour the party system in local government as opposed to concerned independents. Would you consider compensation or support?

Mr PAYNE: Not provided by my department because it is not a funding body. A number of potential candidates have rung to ask that question. I do not know which councils will be subject to review next year. I have said, and they should know now from all the publicity, that they could face that situation, because most councils will be reviewed. That has to be their call.

The Hon. CHARLIE LYNN: Has any thought been given to a contingency fund for their next campaign?

Mr PAYNE: No, not from my perspective.

The Hon. CHARLIE LYNN: Would you recommend that? If it did not happen that would strongly favour a party-political system rather than local government, which is supposed to be made up of community-minded independents and parties. It is a mix.

Mr PAYNE: I have not considered the issue. I am not sure it would favour the parties. Everyone knows what we are doing; we have been open. Someone rang me the other day about Bathurst, which is the subject of review at the moment. I was asked whether the person concerned should stand. I said I did not know and that the potential candidate had to make the call. That person probably will not stand.

The Hon. KAYEE GRIFFIN: One of the reasons for structural reform is the financial viability of some councils. Given that some have severe financial difficulties, if there is no change and they continue as they are with those problems—I accept that HIH was a major contributor in recent times—what do you think will happen if they cannot sustain services and funding is limited? What will happen if nothing is done?

Mr PAYNE: It will not collapse overnight; that is not the nature of the public sector. However, there will be a running down of services, facilities and infrastructure. That is already happening, and it varies from region to region. Councils will not be able to pay their bills. One council has had to delay payments. Councils will be dependent on the outcome of the Federal Government's review of grants. Many rural councils receive a large proportion of their revenue from grants. Therefore, if there were a change, that could cause a massive problem. Over time they will run down and the State Government will be forced to pick up the services and facilities in those regions. We do not want to wait until the position is so dire that it is on the verge of collapse. Our indications are that many of the smaller councils do not have the economic base to continue to provide services and facilities at even a reasonable level. If you were to drive around the State, you would see some infrastructure in a very poor state. We are not even talking about replacement; we are talking about maintenance. It varies from area to area.

The mayor of a small council in the north west told me that his council had three years left. I asked what would happen after that and he said that the council would be broke and it would not be able to pay its staff. That was his call. Knowing the council concerned, I would not disagree. In a commercial sense, some are trading in an insolvent manner. My interest and the Government's interest must be the communities in those areas. The councils provide services and facilities, and we must

ensure that they are in a position to service the community. It is not about maintaining councils at any cost.

Ms SYLVIA HALE: When you place a council the financial watch list do you inform the council and provide any assistance or advice about how it might address the situation? Do you tell a council when it is off the financial watch list?

Mr PAYNE: Yes, we do, all three. They are put on the list for a variety of reasons. Sometimes it is because of an adverse external audit report. They know about them and we put them on the list without doing any further research. In other cases it occurs after discussions following the submission of their annual report. They know we are concerned and that they are on the list. We are reviewing the list to see which councils should be taken off the list and which should stay.

Ms SYLVIA HALE: What you are telling me is the reverse of what I was told by a number of mayors the other day. If I get the names of the councils today, will you be able to respond with a detailed breakdown of when you advised them, the assistance provided and when they are removed?

Mr PAYNE: No. My staff are not talking to the mayors but to the chief financial officers. I assume that the mayors know. If they do not, that is an internal issue.

Ms SYLVIA HALE: It would be extraordinary if they did not.

Mr PAYNE: The Minister has already explained that some councils are on the list for fairly minor short-term issues—they are not major concerns. You cannot assume that every council on the list will collapse tomorrow.

Ms SYLVIA HALE: The financial watch list has been waived around as the political indicator of the inefficiency of councils.

Mr PAYNE: Not by us or by the Minister. We have made the point repeatedly that some councils are on the list for fairly minor audit infringements and that they will be removed.

Ms SYLVIA HALE: When will that happen?

Mr PAYNE: We get annual reports from councils once a year—they are due by the end of November, but sometimes they are late with approval. I expect that in March we will be writing to those councils on the list telling them whether they have been removed, or that they have been added for some reason. They may disagree with the reasons. In 60 per cent of the cases it is because of a qualified external audit report, and in other cases it is because we are concerned about liquidity and the level of reserves. Some councils have very low reserves available to pay out staff entitlements. We have benchmarks, which are flexible depending on the size of the council. However, we have an expectation that they will be met. If they are not, we will put the council concerned on the list. That means it will be monitored. In severe cases, we put them on quarterly reporting. In all cases, they will know—whether they recognise it is another matter—that they are the list.

CHAIR: Thank you for your reappearance before the Committee and for your time and effort. I understand a few questions have been put on notice. I believe you are aware of the 12 noon, 5 March deadline?

Mr PAYNE: Yes.

The Committee proceeded to deliberate.